

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the prospectus following this page (the Prospectus), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

This Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. By accessing the Prospectus, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of the Prospectus by electronic transmission, (c) you are not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia and (d) if you are a person in the United Kingdom, then you are a person who (i) has professional experience in matters relating to investments in Article 19(1) of the Financial Services and Markets Act (Financial Promotion) Order 2005 (the Order) or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the Order.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, GAL, The Royal Bank of Scotland plc, the Dealers or any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from The Royal Bank of Scotland plc.

GATWICK FUNDING LIMITED

(incorporated with limited liability in Jersey with registered number 107376)

£5,000,000,000 Multicurrency programme for the issuance of Bonds

Gatwick Funding Limited (the **Issuer**) has established a multicurrency programme for the issuance of Bonds (the **Programme**).

Application has been made to the Financial Services Authority in its capacity as competent authority under the FSMA (the **UK Listing Authority** or **UKLA**) for Bonds issued under the Programme during the period of 12 months after the date hereof to be admitted to the Official List and to the London Stock Exchange plc (the **London Stock Exchange**) for such Bonds to be admitted to trading on the London Stock Exchange – Regulated Market (the **Market**). References in this Prospectus to Bonds being "listed" (and all related references) shall mean that such Bonds have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC.

The Programme provides that Bonds may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Bonds.

The Bonds may be issued, on a continuing basis, to one or more of the Dealers specified under "*Some Characteristics of the Bond Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the "relevant Dealer" shall, in the case of an issue of Bonds being (or intended to be) subscribed by more than one Dealer or in respect of which subscriptions will be procured by more than one Dealer, be to all Dealers agreeing to subscribe for such Bonds or to procure subscriptions for such Bonds, as the case may be.

Bonds issued under the Programme have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States. The Bonds may not be offered, sold in the United States or to, or for the benefit of, U.S. persons as defined in Regulation S unless such securities are registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable state securities laws. Each purchaser of the Bonds in making its purchase will be deemed to have made certain acknowledgements, representations and agreements. See "*Subscription and Sale*" in this Prospectus.

Please see "*Risk Factors*" to read about certain factors you should consider before buying any Bonds.

Neither the United States Securities and Exchange Commission nor any state securities commission in the United States nor any other United States regulatory authority has approved or disapproved the Bonds or determined that this Prospectus is truthful or complete. Any representation to the contrary is a criminal offence in the United States.

Arranger

The Royal Bank of Scotland plc

Dealers

Crédit Agricole CIB

HSBC

J.P. Morgan Cazenove

The Royal Bank of Scotland plc

Société Générale Corporate & Investment Banking

Prospectus dated 12 January 2012

Under the Programme the Issuer may, subject to all applicable legal and regulatory requirements, from time to time issue Bearer Bonds and Registered Bonds. The maximum aggregate nominal amount of all Bonds from time to time outstanding under the Programme will not exceed £5 billion (or its equivalent in other currencies calculated as described in the Dealership Agreement described therein), subject to increase as described therein. Copies of each Final Terms will be available (in the case of all Bonds) from the specified office set out below of Deutsche Trustee Company Limited as the Bond Trustee (in the case of Bearer Bonds), from the specified office set out below of each of the Paying Agents and (in the case of Registered Bonds) from the specified office set out below of each of the Registrar and the Transfer Agent, provided that, in the case of Bonds which are not listed on any stock exchange, copies of the relevant Final Terms will only be available for inspection by the relevant Bondholders.

Details of the aggregate principal amount, interest (if any) payable, the issue price and any other conditions not contained herein, which are applicable to each Tranche of each Sub-Class of each Class of each Series (all as defined below) will be set forth in the relevant Final Terms, or in a Drawdown Prospectus, see "*Final Terms and Drawdown Prospectuses*" below. In the case of a Tranche of Bonds which is the subject of a Drawdown Prospectus, each reference in this Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus, unless the context requires otherwise. In the case of Bonds to be admitted to the Official List and to trading on the Market, the Final Terms will be delivered to the UKLA and the London Stock Exchange on or before the relevant date of issue of the Bonds of such Tranche. The Issuer may also issue unlisted Bonds. The Issuer may agree with any Dealer and the Bond Trustee that Bonds may be issued in a form not contemplated by the Conditions herein, in which event (in the case of Bonds admitted to the Official List only) a further prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Bonds.

Bonds issued under the Programme will be issued in Series on each Issue Date and each Series may comprise one or more of two Classes. Bonds will be designated as either Class A Bonds or Class B Bonds. Each Class may comprise one or more Sub-Classes with each Sub-Class pertaining to, among other things, the currency, interest rate and maturity date of the relevant Sub-Class. Each Sub-Class may be zero-coupon, fixed rate, floating rate or index-linked Bonds and may be denominated in sterling, euro or U.S. dollars (or in other currencies subject to compliance with applicable laws).

Ratings ascribed to all of the Bonds reflect only the views of the Rating Agencies and any further or replacement rating agency appointed by the Issuer. Any two of S&P, Fitch and Moody's will provide ratings in respect of each Series of Bonds issued under the Programme. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any one or all of the Rating Agencies. A suspension, reduction or withdrawal of the rating assigned to any of the Bonds may adversely affect the market price of such Bonds.

The rating of certain Sub-Classes or Series of Bonds to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to the relevant Sub-Class or Series of Bonds has been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. Each of Standard & Poor's Credit Market Services Europe Limited (being one of the entities through which Standard & Poor's Ratings Services' business operations in the European Union are currently conducted), Fitch Ratings Limited and Moody's Investors Service Limited is established in the European Union and registered under the CRA Regulation.

If any withholding or deduction for or on account of tax is applicable to the Bonds, payments on the Bonds will be made subject to such withholding or deduction, without the Issuer being obliged to pay any additional amounts as a consequence.

In the case of any Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/EC), the minimum denomination shall be €100,000 or not less than the equivalent of €100,000 in any other currency as at the date of issue of the Bonds. Bonds may be issued in such denomination and higher integral multiples of a smaller amount specified in the relevant Final Terms.

If issued under the relevant Final Terms, Bonds that are Bearer Bonds may be represented initially by one or more Temporary Bearer Global Bonds, without interest coupons, which will be deposited with a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg on or about the Issue Date of such Sub-Class. Each such Temporary Bearer Global Bond will be exchangeable for Permanent Bearer Global Bonds or definitive securities in bearer form as specified in the relevant Final Terms following the expiration of 40 days after the later of the commencement of the offering and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership and as may be required by U.S. tax laws and regulations, as described in "*Forms of the Bonds*". Bearer Bonds are subject to U.S. tax law requirements. Subject to certain exceptions, the Bearer Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

The Programme contemplates the potential issue of Bonds for sale in the United States pursuant to Rule 144A under the Securities Act or another exemption from the registration requirements of the Securities Act and the Issuer may issue such Bonds in the future.

If issued under the relevant Final Terms, Bonds that are Registered Bonds will be represented on issue by beneficial interests in a Registered Global Bond, in fully registered form, without interest coupons attached, which will, in the case of Bonds not issued under the New Safekeeping Structure form, be deposited with, and be registered in the name of, a common depositary for Euroclear and Clearstream, Luxembourg or, in the case of Bonds issued under the New Safekeeping Structure, will be deposited with, and registered in the name of, a common safekeeper for Euroclear and Clearstream, Luxembourg. Ownership interests in the Registered Global Bonds will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg and their respective participants. Bonds in definitive, certificated and fully registered form will be issued only in the limited circumstances described herein. In each case, purchasers and transferees of Bonds will be deemed to have made certain representations and agreements. See "*Forms of the Bonds*" and "*Subscription and Sale*" below.

IMPORTANT NOTICES

This Prospectus is being distributed only to, and is directed only at, relevant persons. This Prospectus, or any of its contents, must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bonds shall in any circumstances imply that the information contained herein concerning the Issuer or the Obligors is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct or that there has been no adverse change in the financial position of the Issuer or the Obligors as of any time subsequent to the date indicated in the document containing the same. None of the Arranger, the Dealers, the Bond Trustee, the Issuer Security Trustee, the Borrower Security Trustee or the Other Parties undertakes to review the financial condition or affairs of any of the Issuer or the Obligors

during the life of the Programme or to advise any investor in the Bonds of any information coming to their attention.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, any member of the Security Group, the Arranger, any Dealer, the Bond Trustee, the Issuer Security Trustee, the Borrower Security Trustee or any of the Other Parties that any recipient of this Prospectus should purchase any of the Bonds.

Each person contemplating making an investment in the Bonds must make its own investigation and analysis of the creditworthiness of the Issuer and the Obligors and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the Bonds should consult independent professional advisers.

The distribution of this Prospectus and the offering, sale or delivery of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for the purposes of, an offer to or solicitation by any person to subscribe or purchase any Bonds in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

In connection with the issue of any Tranche of Bonds, the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) named in the applicable Final Terms may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Bonds and 60 days after the date of the allotment of the relevant Tranche of Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

The Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Bonds by the Issuer. A copy of this document has been delivered to the Jersey registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and he has given, and has not withdrawn, his consent to its circulation. It must be distinctly understood that, in giving these consents, neither the Jersey registrar of companies nor the Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial advisor. It should be remembered that the price of securities and the income from them can go down as well as up.

The Bonds may not be a suitable investment for all investors.

The investment activities or certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent Bonds are legal investments for it, Bonds can be used as security for indebtedness and other restrictions apply to its purchase or pledge of any Bonds.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus, any supplemental prospectus or any applicable Final Terms;
- have access to, knowledge of and appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including Bonds with principal or interest payable in one or more currencies or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Bonds which are complex financial instruments unless it has the experience (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

In addition, the market value of the Bonds may fluctuate for a number of reasons including due to prevailing market conditions, current interest rates and the perceived creditworthiness of the Issuer and the Obligors. Any perceived threat of insolvency or other financial difficulties of the Security Group or a less favourable outlook of the airport industry in the UK could result in a downgrade of ratings and/or a decline in the market value of the Bonds.

All references herein to pounds, sterling or £ are to the lawful currency of the UK, all references to U.S. dollars, U.S.\$, \$ and dollars are to the lawful currency of the United States of America, and references to euro or € are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended from time to time.

In this Prospectus, words denoting the singular number only shall include the plural number also and *vice versa*.

This Prospectus contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Issuer and/or the Obligors to differ materially from the information presented herein. When used in this Prospectus, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Issuer, the Obligors and their management, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by applicable laws or regulations, neither the Issuer nor the Obligors undertake any obligations publicly to release the result of any revisions to these forward-

looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

RESPONSIBILITY STATEMENTS

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and the Obligors which, according to the particular nature of the Issuer, the Obligors and the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Obligors.

Each of the Issuer, GAL and the Security Parent accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Issuer, GAL and the Security Parent (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make representations other than the information or the representations contained in this Prospectus in connection with the Issuer, any member of the Security Group, or the offering or sale of the Bonds and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, any member of the Security Group, the Arranger, the Dealers, the Bond Trustee, the Issuer Security Trustee or the Borrower Security Trustee or any Other Party. Neither the delivery of this Prospectus nor any offering or sale of Bonds made in connection herewith shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer, any member of the Security Group since the date hereof. Unless otherwise indicated herein, all information in this Prospectus is given as of the date of this Prospectus. This document does not constitute an offer of, or an invitation by, or on behalf of, the Issuer or any Dealer to subscribe for, or purchase, any of the Bonds.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Other Parties as to the accuracy or completeness of the information contained in this Prospectus or any other information supplied in connection with the Bonds or their distribution. The statements made in this paragraph are without prejudice to the respective responsibilities of the Issuer and the Obligors. Each person receiving this Prospectus acknowledges that such person has not relied on the Arranger, any Dealer, the Bond Trustee, the Issuer Security Trustee or the Borrower Security Trustee or any Other Party nor on any person affiliated with any of them in connection with its investigation of the accuracy of such information or its investment decision.

None of the Issuer, GAL, the Security Parent, the Arranger, the Dealers, the Bond Trustee, the Issuer Security Trustee, the Borrower Security Trustee or the Other Parties accept responsibility to investors for the regulatory treatment of their investment in the Bonds (including (but not limited to) whether any transaction or transactions pursuant to which Bonds are issued from time to time is or will be regarded as constituting a "securitisation" for the purposes of the CRD and the application of Article 122a to any such transaction) in any jurisdiction or by any regulatory authority. If the regulatory treatment of an investment in the Bonds is relevant to an investor's decision whether or not to invest, the investor should make its own determination as to such treatment and for this purpose seek professional advice and consult its regulator. Prospective investors are referred to the "*Risk factors – Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Bonds*" section of this Prospectus for further information.

SUPPLEMENTARY PROSPECTUS

The Issuer has undertaken, in connection with the admission of the Bonds to the Official List and to trading on the Market, that, if there shall occur any significant new factor, mistake or material inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Bonds whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Obligors, and the rights attaching to the Bonds, the Issuer shall prepare a supplement to this Prospectus or publish a replacement prospectus for use in connection with any subsequent issue by the Issuer of Bonds and will supply to the Arranger, each Dealer and the Bond Trustee a copy or, in the case of the Bond Trustee, two copies of such supplement hereto or replacement prospectus. The Issuer will also supply to the UKLA such number of copies of such supplement hereto or replacement prospectus as may be required by the UKLA and will make copies available, free of charge, upon oral or written request, at the specified offices of the Paying Agents and in respect of Registered Bonds, the Registrar and the Transfer Agent.

Each of the Obligors and the Issuer has undertaken to the Dealers in the Dealership Agreement to comply with section 87G of the FSMA (as set out in "*Subscription and Sale*").

If the terms of the Programme are modified or amended in a manner which would make this Prospectus, as so modified or amended, inaccurate or misleading in any material respect, a new prospectus will be prepared.

If at any time the Issuer shall be required to prepare a supplementary prospectus pursuant to section 87G of the FSMA, the Issuer shall prepare and make available an appropriate supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Bonds to be listed on the Official List and admitted to trading on the Market, shall constitute a supplementary prospectus as required by the UKLA and section 87G of the FSMA.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In relation to the different types of Bonds which may be issued under the Programme, the Issuer has endeavoured to include in this Prospectus all of the necessary information except for information relating to the Bonds which is not known at the date of this Prospectus and which can only be determined at the time of an individual issue of a Tranche of Bonds.

Any information relating to the Bonds which is not included in this Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Bonds will be contained either in the relevant Final Terms or in a Drawdown Prospectus. For a Tranche of Bonds, which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Prospectus and must be read in conjunction with this Prospectus. The Conditions as supplemented, amended and/or replaced to the extent described in the relevant Final Terms are the terms and conditions applicable to any particular Tranche of Bonds, which is the subject of Final Terms.

The Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus are the terms and conditions applicable to any particular Tranche of Bonds which is the subject of a Drawdown Prospectus. Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the relevant Bonds.

U.S. INFORMATION

The Bonds have not been approved or disapproved by the SEC or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or

confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

The Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the Code and the regulations promulgated thereunder.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230 (CIRCULAR 230), BONDHOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DOCUMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY BONDHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON BONDHOLDERS UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS ADDRESSED HEREIN; AND (C) BONDHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

In making an investment decision, investors must rely on their own examination of the Issuer and the Obligors and the terms of the Bonds being offered, including the merits and risks involved.

The Prospectus may be distributed on a confidential basis in the United States to a limited number of QIBs (as defined below) for informational use solely in connection with the consideration of the purchase of the Bonds being offered hereby. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally distributed.

Registered Bonds may be offered or sold within the United States or to U.S. persons only to QIBs in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Bonds is hereby notified that the offer and sale of any Registered Bonds to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Each purchaser or holder of Bonds represented by a Rule 144A Bond, or any Bond issued in registered form in exchange or substitution therefor, will be deemed by its acceptance or purchase of any such Bond to have made certain representations and agreements intended to restrict the resale or other transfer of such Bonds as set out in "*Subscription and Sale*" and "*Transfer Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Pro Forma Final Terms*".

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Bonds that are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, the Issuer has undertaken in the Bond Trust Deed to furnish, upon the request of a holder of such Bonds or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither subject to reporting under section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

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DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with:

(i) the audited financial statements of Gatwick Airport Limited for the 15 months ended 31 March 2010 together with the audit report thereon, which appear on pages 23 to 56 of the Borrower's Financial Statements for the 15 months ended 31 March 2010;

(ii) the audited financial statements of Gatwick Airport Limited for the year ended 31 March 2011 together with the audit report thereon, which appear on pages 31 to 69 of the Borrower's Financial Statements for the year ended 31 March 2011;

(iii) the unaudited interim financial statements of Gatwick Airport Limited for the six month period ended 30 September 2010 which appear on pages 6 to 21 of the Borrower's report and unaudited interim financial statements for the six months ended 30 September 2010;

(iv) the unaudited interim financial statements of Gatwick Airport Limited for the six month period ended 30 September 2011 which appear on pages 8 to 24 of the Borrower's report and unaudited interim financial statements for the six months ended 30 September 2011; and

(v) the unaudited interim consolidated financial statements of Ivy Holdco Limited for the six month period ended 30 September 2011 which appear on pages 9 to 25 of the Security Parent's report and unaudited interim consolidated financial statements for the six months ended 30 September 2011,

which have all been previously or simultaneously published and which have been filed with the National Storage Mechanism of the Financial Services Authority. Such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus prior to the issue date which is capable of affecting the assessment of the Bonds, prepare a supplement to this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the registered office of the Issuer and may also be obtained at www.gatwickairport.com/investor, being the Borrower's website. The contents of the Borrower's website or any website directly or indirectly linked to the Borrower's website do not form part of this Prospectus and investors should not rely on them.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Where a document listed above has been extracted from another document, the remainder of the document from which it is extracted is not relevant for the purposes of this Prospectus.

OVERVIEW OF GATWICK AIRPORT LIMITED AND THE PROGRAMME

The following does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the Conditions of any particular Tranche of Bonds, the applicable Final Terms.

OVERVIEW

GAL is the owner and operator of Gatwick, the world's busiest single runway airport. Gatwick occupies a key strategic location in the Greater London area, one of the busiest centres for air transport in the world. The airport is the UK's second busiest by passenger traffic, the ninth largest in Europe for international passengers, and handles approximately 25% of Greater London's traffic.

In the year to 31 March 2011, 31.6 million passengers passed through Gatwick. The estimated maximum physical capacity with the existing single runway is 45 million passengers per annum, which gives scope for future growth. Runway capacity in peak periods in the South East of England has become increasingly constrained as air travel demand has increased. In July 2010, the current UK Government stated that it did not support the construction of new runways at Heathrow, Gatwick or Stansted, the major airports in the South East. In its 2011 National Infrastructure Plan, the UK Government noted that, while it would look at "all options for maintaining the UK's aviation hub status", this did not extend to supporting the construction of a third runway at Heathrow airport. The plan is silent as to other options for addressing airport capacity issues. However, there has been no statement from the UK Government that its July 2010 policy has changed with respect to additional runways at airports in the South East.

Gatwick airport serves over 230 destinations worldwide with a diversified route network. No individual route represents more than 2.9% of total passenger traffic and the airport has a broad base of airlines with 65 main carriers operating regularly from Gatwick. Approximately half the airport's income is generated by aeronautical income.

Under new ownership Gatwick has been increasingly focused on competing for short and long-haul origination and destination traffic, which currently accounts for 92% of passenger journeys. The strategy is starting to yield success. New routes were launched and additional frequencies added in the winter 2010/11 season and summer 2011 seasons by established operators such as easyJet, British Airways and Norwegian Airlines, to destinations in Europe, the US & Caribbean, Africa and the Middle East. In addition, airberlin and AirAsiaX began operating services from Gatwick in February and October 2011 respectively, transferring routes from Stansted. Other new airlines beginning services at Gatwick in winter 2011/12 include Hong Kong Airlines, Vietnam Airlines, Lufthansa and Turkish Airlines, whilst Air China and Korean Air have announced new services commencing in Summer 2012.

Non-aeronautical income is an important component of GAL's revenue mix, principally derived from retail concessions and car parking. Approximately sixty retail clients operate in around 150 outlets across the two terminals and the airport manages 6,350 short-term and 27,500 long-term car park spaces. Non-aeronautical income accounts for 49% of Gatwick's revenues and has remained robust through the slowdown. In the year ended 31 March 2011, net retail and car parking income per passenger was £4.74, up 2% on the prior year.

Cash flow has also held up well despite the recent slowdown in passenger numbers in 2009/10 and 2010/11, primarily due to GAL's diversified revenue base. EBITDA has increased in each of the last three years.

Gatwick's Shareholders

Following its acquisition in December 2009, Gatwick is now 42 % owned by Global Infrastructure Partners (GIP), a US\$5.64bn independent, specialist infrastructure fund. The remaining consortium members consist of four of the world's leading infrastructure investors: Abu Dhabi Investment Authority; the California Public

Employees' Retirement System Fund; the National Pension Service of Korea; and Future Fund Board of Guardians.

The shareholders have implemented a new strategic direction for Gatwick. Management's priority is to transform the passenger experience and improve efficiency for the airlines and the airport itself, improving Gatwick's competitiveness in the London airport market.

Credit Strengths

Gatwick's credit highlights include:

- Capacity-Constrained, Premium Market in the South East – the South East is a densely populated and affluent catchment area in the heart of the UK service economy. Overall runway capacity is already limited at peak periods and, with traffic in the UK projected by the DfT to grow by 2.5 % per annum over the next ten years and current stated UK Government policy opposing new runways in the South East, this capacity constraint is expected to continue.
- Strategically Advantaged London Airport – Gatwick occupies a unique position within this premium market and is located 29 miles from central London with fast direct rail links into the capital. This combination of passenger demand and a wealthy catchment area allows Gatwick to attract higher yielding passengers.
- Resilient Financial Performance – GAL's balanced mix of aeronautical and non-aeronautical revenues, coupled with a diversified traffic base, in terms of destinations served, carriers and airline business models has provided historically some resilience to economic downturn and airline failure. This is reflected in the EBITDA of the business improving year-on-year, despite a fall-off in traffic of over 11 % in the last three years.
- Predictable Cost Base, Deliverable Capital Expenditure Programme – GAL benefits from a well-understood and stable operating cost base, broadly aligned with RPI and well matched to the regulatory approach to revenue. Building on the successes achieved to date in increasing the efficiency of the operation, overhauling the capital programme and establishing effective project management, management sees further scope to improve both capex and opex efficiencies. This is a key focus for the new management team.
- Regulatory framework – Gatwick operates within a well-established regulatory environment, which is being modernised so that regulation can better reflect the competitive and market position of each airport and enhance the passenger experience. GAL welcomes this approach, which is in line with GAL's strategy.
- Energetic New Management Team – A dynamic and strong new executive management team has been put in place to drive the shareholder's operational philosophy through the business. Key hires have delivered additional airport, operational, regulatory and financial expertise at a senior level. Much of the existing operations management has been retained to ensure continuity at the project level.

Driving Transformational Change

After 25 months of new ownership significant progress has been made improving the airport's operations, including:

- the completion on or ahead of schedule of the North terminal Extension, the North and South Terminal forecourts, Multi Storey Car Park 6, Refurbishment of Pier 2 and the new shuttle system linking North and South terminals;

- an innovative new security area consolidating all security lanes into one area in the South Terminal, which was not envisaged at the time of the change in ownership, opened in Summer 2011;
- all service quality regime targets were achieved in May 2011 for the first time in Q5, and were also subsequently achieved in August, September, October and November 2011. Security queuing times have reduced markedly and the associated service targets have been met in each month since the change in ownership;
- innovative check-in and security processes have been trialled and intensified route marketing discussions with airline customers are producing results. Following reform of operational management, staff absenteeism has also declined; and
- the capital investment plans have been significantly reshaped and expanded in scope to meet the requirements of airlines and passengers.

EVOLUTION OF THE REGULATORY FRAMEWORK

Since April 2008, the UK Government has been considering the introduction of a new regulatory regime for airports.

On 23 November 2011, the UK Government published its draft Civil Aviation Bill (the **Draft Bill**) which, if enacted, will modernise the system of economic regulation of airports in the UK. The Draft Bill proposes a new general duty for the CAA to carry out its functions in a manner which furthers the interests of users of air transport services regarding the range, availability, continuity, cost and quality of airport operation services, where appropriate by doing so in a manner which will promote competition in the provision of airport operation services. In carrying out its general duty, the CAA will be required, among other things, to have regard to “the need to secure that a licence holder is able to finance its provision of airport operation services in the area for which the licence is granted”.

All airport operators are subject to aerodrome licensing under the Air Navigation Order 2009, which requires an airport operator to demonstrate that it is competent to conduct aerodrome operations safely (see "*Airport Regulation – Other Regulatory Factors – Aerodrome Licensing*"). That licensing requirement is not affected by the proposals in the Draft Bill. However, the Draft Bill provides for the further economic licensing of dominant airports (and dominant airport areas) where operators are determined by the CAA to have substantial market power (see "*Airport Regulation - Proposed Development of the Regulatory Framework*"). Where the CAA determines that a licence is required, the Draft Bill gives the CAA greater flexibility to align the regulatory requirements that it imposes with the market and competitive position at the relevant airport, concentrating more on service quality and performance incentives. Where a licence is not required, an airport’s activities will remain subject to general competition law and the provisions of the Airport Charges Directive, in respect of both of which the CAA will have an enforcement role.

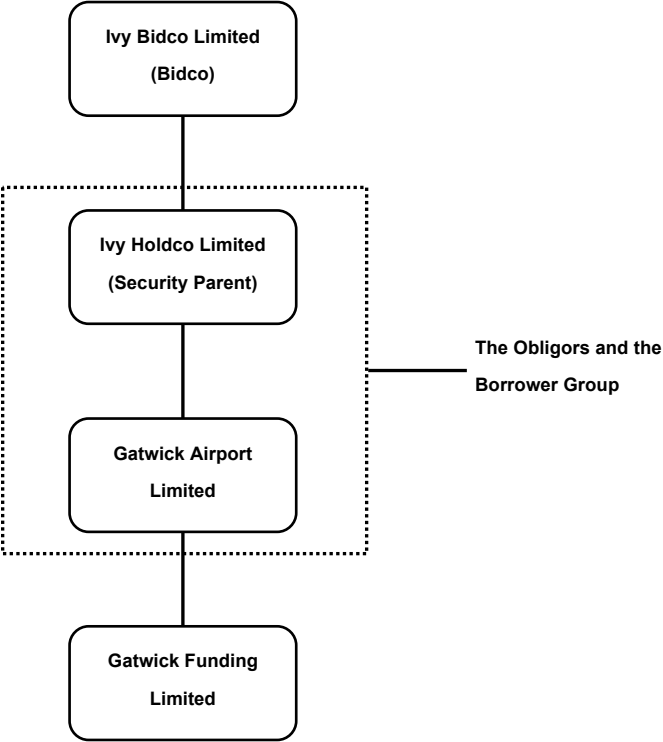
In relation to licence provisions designed to ensure financial resilience at licensed airports, the Draft Bill provides for derogations to be given for pre-existing financing arrangements. The CAA will be precluded from removing or amending these derogations without first determining: (i) that there has been a material change in circumstances since the derogation was granted; and (ii) the benefits of removing the derogation are likely to outweigh the costs to passengers.

GAL has supported the UK Government’s proposals regarding reform of the economic regulation of airports and welcomes the evolution of the regulatory architecture in the manner proposed in the Draft Bill.

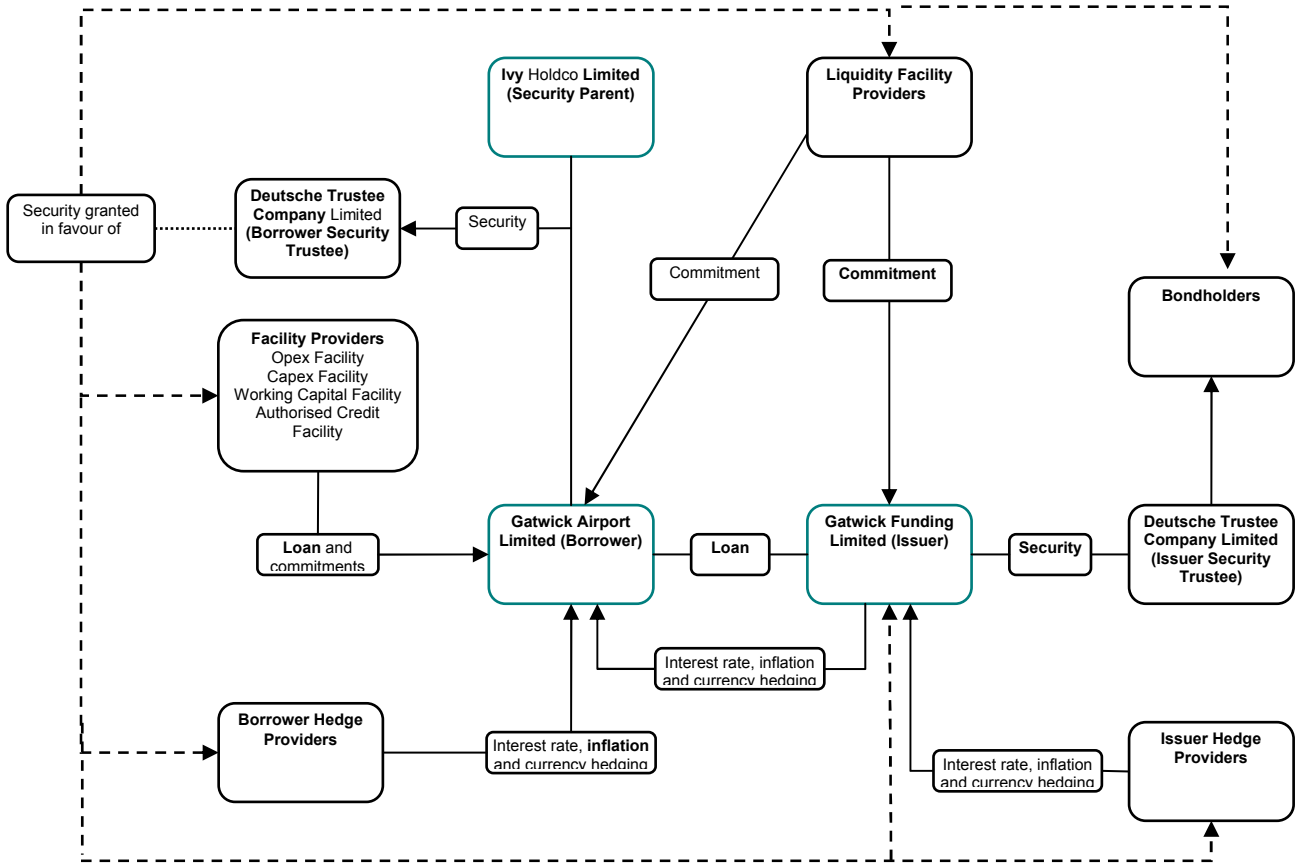
THE PROGRAMME

The Issuer has established the Programme to raise debt in the bond markets to fund, among other things the future on-going capital expenditure programme of GAL. The capital structure also incorporates revolving bank facilities, medium term bank debt, Bonds, and associated risk management hedging.

SIMPLIFIED OWNERSHIP STRUCTURE



SIMPLIFIED DEBT STRUCTURE



SOME CHARACTERISTICS OF THE BOND PROGRAMME

| | |
|----------------------------------|---|
| Issuer | Gatwick Funding Limited. |
| Borrower | Gatwick Airport Limited. |
| Security Parent | Ivy Holdco Limited. |
| Obligors | The Borrower and the Security Parent. |
| Bond Trustee | Deutsche Trustee Company Limited or any successor appointed pursuant to the Bond Trust Deed. |
| Issuer Security Trustee | Deutsche Trustee Company Limited or any successor appointed pursuant to the Issuer Deed of Charge. |
| Borrower Security Trustee | Deutsche Trustee Company Limited or any successor appointed pursuant to the STID. |
| Arranger | The Royal Bank of Scotland plc. |
| Dealers | Crédit Agricole Corporate and Investment Bank HSBC Bank plc J.P. Morgan Securities Ltd. The Royal Bank of Scotland plc Société Générale |
| Programme Size | Up to £5 billion (or its equivalent in other currencies) aggregate nominal amount of Bonds outstanding at any time as increased from time to time by the Issuer. |
| Issuance in Classes | <p>Bonds issued under the Programme will be issued in Series on each Issue Date and each Series may comprise one or more of two Classes. Bonds will be designated as either Class A Bonds or Class B Bonds. Each Class may comprise one or more Sub-Classes with each Sub-Class pertaining to, among other things, the currency, interest rate and maturity date of the relevant Sub-Class. Each Sub-Class may be zero-coupon, fixed rate, floating rate or index-linked Bonds and may be denominated in sterling, euro or U.S. dollars (or in other currencies subject to compliance with applicable laws).</p> <p>On each Issue Date, the Issuer will issue the Sub-Classes of Bonds set out in the Final Terms published on the relevant Issue Date.</p> |
| Certain Restrictions | Each issue of Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time including the restrictions applicable at the date of this Prospectus. See " <i>Subscription and</i> |

Sale".

| | |
|---|---|
| Currencies | Euro, sterling, U.S. dollars and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer. |
| Final Terms or Drawdown Prospectus | Bonds issued under the Programme may be issued either (a) pursuant to this Prospectus and associated Final Terms, or (b) pursuant to a Drawdown Prospectus. |
| Redenomination | The applicable Final Terms may provide that certain Bonds may be redenominated in euro. The relevant provisions applicable to any such redenomination will be contained in Condition 17 (<i>European Economic and Monetary Union</i>), as amended by the applicable Final Terms. |
| Maturities | <p>Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer.</p> <p>In certain circumstances, where Bonds have a maturity of less than one year, such Bonds will be subject to limitations to ensure the Issuer complies with section 19 of the FSMA. For further details please see the United Kingdom selling restrictions as set out in "<i>Subscription and Sale</i>" and the Final Terms for any particular Series of Bonds.</p> |
| Issue Price | Bonds may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par, as set out in the relevant Final Terms. |
| Interest | Bonds will, unless otherwise specified in the relevant Final Terms, be interest-bearing and interest will be calculated (unless otherwise specified in the relevant Final Terms) on the Principal Amount Outstanding of such Bond. Interest will accrue at a fixed or floating rate (plus, in the case of Indexed Bonds, amounts in respect of indexation) and will be payable in arrear, as specified in the relevant Final Terms, or on such other basis and at such rate as may be so specified. Interest will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer as specified in the relevant Final Terms. |
| Form of Bonds | The Bonds will be issued in bearer or registered form as specified in the relevant Final Terms. Registered Bonds will not be exchangeable for Bearer Bonds. |
| Interest Payment Dates | Interest, in respect of Fixed Rate Bonds and Indexed Bonds may be payable monthly, quarterly, semi-annually or annually (according to the relevant Final Terms) in arrear and, in respect of Floating Rate Bonds will be payable quarterly in arrear (or, as otherwise specified in the relevant Final Terms). |

Early Redemption

The applicable Final Terms will indicate either that the relevant Bonds cannot be redeemed prior to their stated maturity (other than in specified instalments, for taxation reasons if applicable, following prepayment of a Borrower Loan or following an Index Event or a Bond Event of Default) or that such Bonds will be redeemable at the option of the Issuer and/or the Bondholders upon giving notice to the Bondholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer, in each case as set out in the applicable Final Terms.

Scheduled Redemption

Unless previously redeemed or cancelled, each Sub-Class of Bonds is expected to be redeemed on the Scheduled Redemption Date. Neither the Issuer nor the Borrower has the right to extend the Scheduled Redemption Date, which is also the maturity date of the corresponding tranche of the Borrower Loans. The Maturity Date under the Bonds falls two years later, to cater solely for the possibility that the Borrower might default on repayment of the Borrower Loans. In these circumstances (which constitute an event of default (a **Loan Event of Default**)), the Bonds will accrue interest at a floating rate, which will be met from any available proceeds from the Borrower Loans or, if insufficient, from drawings under the Liquidity Facility to the extent available. If the Bonds are not redeemed in full by their Maturity Date, there will be a Bond Event of Default.

Final Redemption

If a Sub-Class of Bonds has not previously been redeemed in full, such Sub-Class shall be finally redeemed at its respective Principal Amount Outstanding (in the case of Indexed Bonds as adjusted in accordance with Condition 6(b) (*Application of the Index Ratio*)) plus accrued interest on the Maturity Date as specified in the applicable Final Terms.

Denomination of Bonds

Bonds will be issued in such denominations as are or may be agreed between the Issuer and the relevant Dealer, as specified in the relevant Final Terms, but the minimum denomination shall be not less than €100,000 or not less than the equivalent of €100,000 in any other currency as at the date of issue of the Bonds.

Taxation

Payments in respect of Bonds will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any jurisdiction, unless and save to the extent that the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event and to that extent, the Issuer and/or the Paying Agents will make payments subject to the appropriate withholding or deduction. No additional amounts will be paid by the Issuer and/or the Paying Agents in respect of any withholdings or deductions.

Status of the Bonds

The Bonds to be issued under the Programme will constitute secured obligations of the Issuer. Bonds of each Class rank *pari passu* without preference or priority in point of security among themselves. One or more Classes, Sub-Classes or Series may be issued at one time. All Bonds issued under the Programme will be secured over the same assets of the Issuer, which are secured in favour of the Bondholders and the other Issuer Secured Creditors under the Issuer Deed of Charge.

The Bonds represent the right of the holders of such Bonds to receive interest (where applicable) and principal payments from the Issuer in accordance with the terms and conditions of the Bonds and the Bond Trust Deed entered into by the Issuer and the Bond Trustee in connection with the Programme.

All claims in respect of the Class A Bonds will rank in priority to payments of interest and principal due on the Class B Bonds.

Covenants

The representations, warranties, covenants and events of default which will apply to, among other things, the Bonds are set out in the Bond Trust Deed. See "*Summary of the Financing Agreements – Bond Trust Deed*".

Listing

It is anticipated that Bonds issued under the Programme will be admitted to the Official List and admitted to trading on the Market. The Bonds may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series.

Unlisted Bonds may also be issued. The applicable Final Terms will state whether or not the relevant Bonds are to be listed and, if so, on which stock exchange(s).

Ratings

The ratings assigned to the Class A Bonds and the Class B Bonds by the Rating Agencies reflect only the views of the Rating Agencies. The ratings will be specified in the relevant Final Terms.

A rating is not a recommendation to buy, sell or hold securities and will depend, among other things, on certain underlying characteristics of the business and financial condition of the Borrower. A rating may be subject to suspension, change or withdrawal at any time by the assigning Rating Agency.

Governing Law

The Bonds and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.

Selling Restrictions

There are restrictions on the offer, sale and transfer of the Bonds in the United States, the United Kingdom, Jersey and such other restrictions as may be required in connection with the offering and sale of a particular Sub-Class of Bonds. See "*Subscription and Sale*" and the Final Terms for any particular series of Bonds.

Investor Information

The Borrower is required to produce an Investor Report semi-annually which shall be published on the designated website of GAL, being www.gatwickairport.com/investor and which will also be made available at the specified office of the Principal Paying Agent, in the case of Registered Bonds at the specified office of the Registrar and the Transfer Agents and (in all cases) at the registered office of the Bond Trustee. No reports in respect of the Borrower Loan Agreement and the Borrower Loans will be prepared.

RISK FACTORS

The following sets out certain aspects of the Programme documentation and the activities of the Issuer and the Borrower Group of which prospective Bondholders should be aware. The occurrence of any of the events described below could have a material adverse impact on the business, financial condition or results of operations of the Issuer, the Borrower and the Security Parent and could lead to, among other things, Trigger Events, Bond Events of Default, Loan Events of Default and/or non-payment of amounts under the Bonds.

This section of the Prospectus describes all material risks that are known to the Issuer and the Borrower Group as at the date of this Prospectus. This section of the Prospectus is not intended to be exhaustive and prospective Bondholders should read the detailed information set out elsewhere in this document prior to making any investment decision. Further, prospective Bondholders should take their own legal, financial, accounting, tax and other relevant advice as to the structure and viability of an investment in the Bonds. Bondholders may lose the value of their entire investment in certain circumstances.

In addition, while the various structural elements described in this document are intended to lessen some of the risks discussed below for holders of the Bonds, there can be no assurance that these measures will ensure that the holders of the Bonds of any Sub-Class or Tranche receive payment of interest or repayment of principal from the Issuer in respect of such Bonds on a timely basis or at all.

RISKS AFFECTING INCOME

GAL generates two types of income:

- (a) aeronautical income from airport fees and traffic charges which are regulated by the CAA and typically levied on the basis of passenger numbers, maximum total aircraft weight and the length of time for which an aircraft is parked at the airport and are also linked to the rate of inflation, which is liable to change; and
- (b) non-aeronautical income from retail concession fees, car parking income, property rental income and income from the provision of operational facilities and utilities.

The following risks could affect one or both of these types of income which may, in turn, materially impact GAL.

Event risks

Threats to security and terrorism

The UK Government currently assesses the threat to interests within the UK, including aviation, from international terrorism as "Substantial", the third highest threat level. The current threat level to interests within the UK from Irish-related terrorism is assessed as "Severe" in Northern Ireland, the second highest threat level, and "Substantial" in Great Britain. Gatwick has been operating heightened security measures since September 2001 and was required to introduce additional security measures following the discovery of a terrorist plot in August 2006. The consequences of any future terrorist attack may include cancellation or delay of flights, fewer airlines and passengers using Gatwick, liability for damage or loss and the costs of repairing damage. The implementation of additional security measures at Gatwick in the future, including stricter hand luggage and other carry-on restrictions and reduced shopping time as a result of more rigorous and time-consuming security procedures could lead to additional limitations on airport capacity, overcrowding, increases in operating costs, reduced spend by passengers and delays to passenger movement through Gatwick and fewer passengers using Gatwick.

Natural phenomena/adverse weather conditions

In April 2010, Gatwick was forced to close due to the eruption of Eyjafjallajökull in Iceland resulting in no air transport movements for four consecutive days (16 to 19 April inclusive) and which significantly impacted air transport movement and passenger numbers on the 15, 20 and 21 April. Gatwick's traffic recorded a 20.2% decline in that month compared to 2009. In the evening of 30 November 2010, Gatwick was forced to close due to heavy snowfall. This resulted in no air transport movements for two further days (1 and 2 December) and significantly impacted air transport movements and passenger numbers on the 3 and 4 December. During this time train services to and from Gatwick and road networks were also severely affected by the weather. On 18 December 2010, Gatwick was again forced to close for a period of several hours due to heavy snowfall, which significantly impacted air transport movement and passenger numbers on that day and the following day. Any future natural phenomena or adverse weather conditions or other event causing prolonged closure of airspace could have a similar or greater adverse impact on air transport movement and passenger numbers, affecting GAL's income.

Industrial action

With over 2,600 employees, relationships with employees, trade unions and other employee representatives are important to the running of Gatwick. Gatwick also relies on the employees of third party contractors for important services such as baggage handling. Existing labour arrangements and relationships may not prevent a strike or disruption in the future (whether by GAL's employees or by the employees of a third party contractor who provides services to Gatwick), and should these relationships deteriorate, the operation of Gatwick could be adversely affected, leading to a loss of revenue and increased costs associated with industrial disputes.

Key personnel

GAL's success depends, to a significant extent, on the continued services of its executive management team, which has substantial experience in the airport industry. There is no guarantee that any of the executive management team will remain employed by or seconded to GAL. The unexpected departure or loss of the services of one or more members of the executive management team could have an adverse effect on Gatwick's operations and/or GAL's financial condition or results of operations and there can be no assurance that GAL will be able to attract or retain suitable replacements.

Epidemic diseases

Previous international outbreaks of infectious diseases, such as the outbreak of SARS in 2003, and the resulting actions tabled by the WHO (including travel advisories), had a significant adverse effect on passenger demand for air travel in the UK. An outbreak of another epidemic disease (whether domestic or international) or any WHO travel advisories (whether relating to UK cities or regions or other cities, regions or countries) could have a material adverse effect on passenger demand for air travel. Any resulting reduction in traffic could have a material adverse effect on GAL.

Macro-economic factors

Changing economic circumstances may affect demand for travel. Travel, especially leisure travel, which is a key market for Gatwick, is a discretionary consumer expense. During periods of economic slowdown, customers may reduce or stop their spending on travel, impacting passenger numbers and the propensity of passengers to spend in the shops and thereby income for GAL. In addition, economic conditions may impact Gatwick's operating costs, pension plan contributions and the costs and availability of capital and of the services of suppliers which are required by Gatwick.

Economic circumstances may also affect GAL's retail income. Like leisure travel, passengers' retail spending at Gatwick is discretionary and poor economic conditions may result in travellers choosing to curtail such spending.

Car parking income may be affected by a change in the passenger mix in circumstances where outbound leisure travellers from the UK are substituted by inbound passengers who would not generally use car parks.

In addition, fluctuations in exchange rates may impact spending by passengers.

Exposure to airlines' actions or financial situations

There are not currently any specific operating contracts between GAL and any of the airlines operating at Gatwick. As airlines have no obligations to GAL to have a given passenger load capacity, to provide a minimum volume of flights to and from Gatwick or to use a particular type of aircraft, there can be no assurance as to the level of GAL's future aeronautical income from any one or more airline operators. Levels of retail income at Gatwick and passenger spend may also be affected by such factors.

In addition, the economic position of some airlines remains difficult. Individual airlines may suffer financial difficulties which force them to partly or completely discontinue their flight operations or to merge with others, thereby having to realign their flight operations from Gatwick to other airports. In addition, airline customers may refuse to pay the required charges.

Any loss of airline customers or failure to pay by such airline customers could have a material adverse impact on GAL if it is unable to mitigate such loss by the take-up of the vacated slots by other airline customers.

Reliance on major airline customers

Gatwick's biggest five airline customers (easyjet, British Airways, TUI, Monarch and Thomas Cook) accounted for 65.0% of total air transport movements and 70.4% of passengers at Gatwick for the year ended 31 March 2011. Although GAL continues to seek to attract new airlines to operate from Gatwick and to encourage growth from existing operators, GAL has derived, and believes it will continue to derive, a significant portion of its turnover in any given year from a limited number of airlines. Actions taken by airlines (especially by those airlines that have a strong presence at Gatwick) such as decisions to change flight times, ticket prices and flight routes could materially affect the financial performance of GAL. Also, financial difficulties experienced by any significant airline customer could lead to a reduction or cessation of flights from Gatwick and could result in a particularly adverse effect on GAL if it is unable to mitigate such loss by the take-up of the vacated slots by other airline customers in a timely manner. There can therefore be no assurance as to the level of GAL's future aeronautical income from any one or more airline operators.

Reduction of passenger demand due to increased cost to travel

Spending on travel, especially leisure travel, is discretionary and price sensitive.

Fuel costs typically represent a large percentage of airlines' operating costs. Fuel prices fluctuate widely depending on many factors, including international market conditions, geopolitical events and exchange rates. If fuel prices increase significantly above current levels, airlines may seek to pass on increases in fuel prices to their customers by increasing their fares, which may have a materially adverse impact on passenger numbers and air transport movements.

In addition, the increase in air passenger duty from April 2012 of 10% announced by the UK Government on 6 December 2011 and any further changes which the UK Government may introduce to air passenger duty and the system of taxing the aviation industry, other travel taxes or other taxes (whether existing or future) such as VAT may also affect the cost of flying, potentially decreasing passenger numbers.

Business interruption

Gatwick is exposed to the risk of accidents, including aircraft crashes. These accidents could result in injury or loss of human life, damage to airport infrastructure and short or long term closure of Gatwick's facilities and may have an impact on passenger traffic levels.

In addition, Gatwick may suffer business interruption or disruption from a number of other events out of its control such as wars, riots, political action, blockades, fire or technical problems. Any interruptions or disruptions in the services that Gatwick provides could have a material adverse impact on GAL.

As Gatwick operates from a single site, any disruption to the efficient operation of Gatwick could have a material adverse impact on GAL. In particular, damage resulting from any of the above events may take considerable time to repair. The direct effect of such events and a prolonged period before rectification could have a material adverse impact on GAL.

Reliance on suppliers and the outsourcing of key IT functions

GAL is an operating company and has entered into and will continue to enter into contracts with third parties under which it has given or will give representations, covenants and indemnities as part of the transactions to which the contracts relate. Gatwick sources goods and services required for the operation of Gatwick from third party suppliers, including Air Traffic Control services, maintenance, key IT functions and utilities. In certain cases, Gatwick may only be able to access goods and services from a limited number of suppliers and the transition to new suppliers of such goods and services may take significant amounts of time and require significant resources. A failure, refusal or inability (whether due to insolvency or otherwise) of a supplier to provide goods or services, which is beyond Gatwick's control, could have a material adverse effect on GAL.

Concessionaires

In a situation where passengers are spending less in the shops at Gatwick, concessionaires may seek to renegotiate minimum guarantee payments to GAL under the concession agreements. If contract negotiations, amendments or documentation are not satisfactorily resolved or if concessionaire contracts are not renewed or are terminated, if there is reduced competitiveness of the airport retail offering or retail tenant failures or if GAL is not able to replace lost turnover with new contracts in a timely manner, this could have a material adverse effect on GAL.

COMPETITION RISKS

Gatwick's market share may be adversely affected by competition from other UK airports. Any sale of Stansted Airport to a new operator may increase the competition offered to Gatwick. Current stated UK Government policy is opposed to the construction of a further runway in the South East for the foreseeable future. However, as capacity becomes constrained, an airport which is granted permission to build a further runway in the future may gain a competitive advantage over Gatwick, which could have an adverse effect on GAL. If current proposals to develop another airport in London were to proceed, this could also have an adverse effect on GAL.

Gatwick's business may also be adversely affected by the development of alternative means of transport to air travel as well as the increased use of communications technology. Substantially shorter journey times for some types of rail travel are becoming possible through advances in high-speed rail transport which, in addition to enlarging the catchment areas of other UK airports, could result in air travel becoming less attractive compared to other means of transport, particularly for domestic and European routes. This could result in a decline in the volume of short-haul passenger and freight transport for Gatwick, although Gatwick would look to offset any such decline by seeking to develop more long-haul routes.

Car parking income may be adversely affected by competition from off-airport car park operators and valet parking providers as well as from increased use of alternative forms of transport.

REGULATORY RISKS

Risks associated with the introduction of new regulation

Since April 2008, the UK Government has been considering the introduction of a new regulatory regime for airports. Its December 2009 Decision Document set out its proposals for the future economic regulation of airports.

On 23 November 2011, following extensive consultation, this process culminated in the Secretary of State publishing the draft Civil Aviation Bill 2011. The Draft Bill contains the Government's proposals for the replacement of the existing system of economic regulation of airports with a system which allows for a more flexible framework. On the same date, the CAA published an indicative licence and discussion document to accompany the Draft Bill. The licence sets out indicative conditions that licence holders may expect to see under the new regime, see "*Airport Regulation – Development of the Regulatory Framework*".

If enacted, the Draft Bill will maintain regulation, including a form of price control, for airports determined as having substantial market power, if and to the extent that competition law would provide insufficient protection against the risk of an abuse of that power. However, the Draft Bill provides for a more flexible approach in terms of how the CAA may choose to regulate. In particular, although price control conditions must be imposed where the CAA considers it to be necessary or expedient to do so, they could take a number of forms, such as setting a maximum price or a system of monitoring prices. While the CAA has indicated in its published statements that it will adopt alternative approaches to price regulation for Q6 and beyond, no assurances can be given as to how the CAA will implement the regime proposed by the Draft Bill.

Given that the Draft Bill has not yet been introduced in Parliament, no assurance can be given that the Draft Bill will be enacted in its present form, or at all. The content of the Draft Bill is subject to change prior to and during the legislative process and, as a consequence, there is no guarantee that any final Act of Parliament concerning the economic regulation of airports will reflect the previously published statements of either the UK Government or the CAA, including whether and in what way airport charges at Gatwick will in future be subject to regulatory review (see "*Airport Regulation*").

GAL has made the case to the CAA that Gatwick does not have substantial market power, and therefore should not be required to have a licence under the new framework or be subject to continued price regulation.

If GAL successfully makes the case that Gatwick does not have substantial market power, Gatwick will remain subject to the general principles of competition law and the provisions of the Airport Charges Directive, as implemented in UK law.

However, it is not possible at this point to predict whether the CAA will accept these submissions or whether the CAA will determine that Gatwick has substantial market power, such that a licence is required, and if so what conditions the CAA will impose.

CAA regulation – price caps and factors which may affect pricing

Airport charges at Gatwick are currently subject to regulatory review that results in the CAA setting price caps on certain airport charges. The regulatory review generally takes place every five years (a **quinquennium**); see "*Airport Regulation – Economic Regulation*". The current quinquennium runs from 2008 and has been extended to 31 March 2014 (Q5) to dovetail with the introduction of the new regulatory regime. While the CAA has stated that no party should be "systemically worse off" as a consequence of the extension, there can be no assurance this will not have an adverse impact on GAL.

There can be no assurance that the current or future price caps or other licence conditions set by the CAA will be sufficient to allow GAL to operate at a profit; nor that the present price caps will be increased or at least maintained at current levels; nor that the methodology of the review process at subsequent reviews would not have a material adverse effect on the income of GAL; nor that the CAA will permit the recovery of forecast operational expenditure which cannot be avoided or the inclusion of future capital expenditure in Gatwick's Regulatory Asset Base (**RAB**). The Draft Bill provides for a flexible approach to regulating airports with market power. There can therefore be no assurance that there will not be any move away from a RAB-based formula in Q6 or beyond or other possible changes to the way in which any future regulatory framework will treat the recovery of capital and/or operating expenditure.

Other changes to the regulatory environment

Income and/or operations at Gatwick could be adversely affected by changes in policies regarding route licensing, the "use it or lose it" rule (under which airlines are required to fly 80% of their slots or sacrifice them to other airlines), security and safety, immigration and border controls, airport development, environmental policy, tax, air passenger duty (including recent and planned increases) and the provision of airport capacity.

Capital Expenditure Triggers

The CAA has established performance-linked requirements which can negatively impact aeronautical income. See "*Airport Regulation – Economic Regulation – The Price Cap*". The CAA enforces these performance-linked requirements in order to incentivise GAL to deliver investment projects in a timely manner. The CAA published its final decision regarding these Capex "triggers" for Gatwick on 25 March 2009. In respect of each relevant project, for every month that the milestone specified for that project remains undelivered, the allowable revenue from airport charges will be reduced by a specified monthly sum (defined in cash terms). With the exception of relatively small projects, the specified monthly sum will be determined on one-twelfth of the return of the completed value of the asset as projected in the capital investment plan on which the price cap is based, re-valued to the money value of the day. Relatively small projects will be subject to a minimum monthly trigger payment of £100,000. It is not possible to predict accurately the impact of these arrangements in the current quinquennium, nor the nature and scope of any such arrangements subsequently.

GAL agreed with the CAA and with the airlines operating at Gatwick that the capital expenditure triggers relating to Pier 7 and South Terminal baggage handling will be removed for the year 2013/14, and that GAL and the airlines will agree replacement triggers, to be submitted to the CAA by June 2012, covering 60 per cent. of the forecast capital expenditure in 2013/14. These new capital expenditure triggers have not yet been finalised between GAL, the airlines and the CAA. However, Gatwick has agreed with the CAA that, in the event that new triggers covering 60 per cent. of the forecast 2013/14 capital expenditure cannot be agreed and submitted to the CAA by June 2012, the CAA should apply appropriate triggers and accompanying trigger definitions for the timely delivery of projects which GAL and the airlines have agreed are to be carried out during 2013/14.

Service quality rebate triggers

There is a Service Quality Regime (**SQR**) at Gatwick which sets defined service standards for a range of passenger facilities, such as piers, lifts, escalators and moving walkways, as well as for airfield congestion and security queuing times. To the extent that GAL does not meet the defined standards, it is required to provide rebates to airlines on the per-passenger charges, which in Q5 could amount to up to 7% of airport charges. If the scope and nature of the SQR are amended in the future, this could result in stricter service standards and/or higher rebates.

Section 30 of the Airports Act

Section 30 of the Airports Act gives the Secretary of State the power to give directions to airport operators in the interests of national security. The directions can require airport operators to take, or refrain from taking, particular action specified in the direction. This provision allows the Secretary of State to give directions for airport closure in times of extreme international tension or in the interests of national security. This presents a risk for Gatwick due to the potential loss of control over the operational functions at Gatwick. It also presents the risk of a loss of revenue without compensation. There is no predictability or certainty as to the occurrence of events which may trigger a direction under section 30 of the Airports Act. Section 30 is unaffected by the provisions of the Draft Bill.

Enforcement action by the CAA

In order to fulfil its functions the CAA has the power to make a range of decisions, see "*Airport Regulation*", including making a compliance order against a regulated airport operator. If the CAA makes such a compliance order against GAL, such order could require GAL to remedy any loss or damage sustained, or injustice suffered, by any person in consequence of any failure on the part of the operator.

The Draft Bill provides for CAA enforcement of licence conditions. If the Draft Bill is enacted, the CAA will have the power to serve enforcement notices and enforcement orders on GAL. Where the CAA serves an enforcement or urgent enforcement order on an operator, the operator will be under a duty to comply with the terms of that order. The CAA may take action, through seeking injunctive relief, in order to ensure that an operator does not breach its duty to comply with an enforcement order.

In addition, failure to comply with licence conditions or an enforcement order or competition law could result in penalties for offending operators of up to 10% of turnover at the relevant airport. Under the Draft Bill, penalties may be imposed on a daily basis or as a fixed amount. Gatwick would have a right of appeal to the Competition Appeal Tribunal (the CAT) against any enforcement orders or penalties that the CAA might seek to impose under these provisions.

If the Draft Bill is enacted, the CAA will also have competition powers, held concurrently with the OFT. This will allow the CAA to enforce competition law, conduct market studies, and make market investigation references to the Competition Commission in the airports sector.

Legal challenges to determinations by the Civil Aviation Authority and judicial review

Certain of the CAA's decisions are subject to specific rights of appeal (e.g. a right of appeal against a compliance order). Where no specific rights of appeal exist, the CAA's decisions, for example the CAA's determinations on price control (see further below), are subject to judicial review. The role of the court in judicial review proceedings is not to remake the decision being challenged, or to assess the merits of that decision. The court will review a decision only on grounds of illegality, irrationality, procedural unfairness or breach of legitimate expectations. The remedies available under judicial review include the quashing of a decision, the making of a declaration, a prohibiting or a mandatory order and the recovery of damages.

This means, for example, that successful judicial review proceedings by an airline against a future price control determination of the CAA for Gatwick could result in a quashing of this determination and a requirement for the CAA to remake the determination. Such a judicial review (albeit unsuccessful) was brought by easyJet against the CAA in relation to the price settlement for Q5 in relation to Gatwick.

The Draft Bill proposes a system of appeals relating to licence decisions of the CAA. In relation to the operator and market power determinations, the CAT will have the power to hear appeals. Appeals may be brought by the relevant operator, the Secretary of State and any other person whose interests are materially affected by the determination. For new licence conditions (and licence modifications), the Competition Commission (the CC) has authority to hear appeals. Appeals on licence conditions may be brought by the relevant operator, or airlines whose interests are materially affected by the decision.

If the Draft Bill is enacted, there will be a specified set of circumstances under which decisions of the CAA may be challenged by GAL and by airlines and other third parties. An airline (for example) could bring an appeal in respect of the CAA's determination as to whether or not Gatwick had substantial market power (affecting the decision on the granting of a licence to Gatwick) or to a particular licence condition. This may include the future application to Gatwick of price control conditions. In the event an appeal was successful, the CAA could be required to re-make its decision or, in certain circumstances, the CAT or the CC could substitute their decision for that of the CAA.

ENVIRONMENTAL, HEALTH AND SAFETY, CONSTRUCTION AND PLANNING RISKS

Environmental and health and safety considerations

GAL's business is affected by a wide variety of EU and UK environmental, health and safety and planning laws and requirements. Gatwick's existing operations may be impacted by a number of environmental and planning factors, including those involving: aircraft movements; air quality (including emissions standards); noise, soil and water pollution arising from airport operations; discharges and surface water drainage; land and groundwater contamination; flooding; asbestos in premises and exposure to asbestos; waste handling, management and disposal; climate change; and energy use and efficiency.

Compliance with present or future environmental, health and safety and planning requirements may be costly and time-consuming and may interfere with Gatwick's existing activities and operations. Historically, reasonable environmental costs incurred by Gatwick (other than environmental mitigation matters unrelated to capital expenditure projects, which are typically regarded as operating expenditures) have been taken into account by the CAA in determining the RAB for Gatwick and setting the airport charges. However, there can be no assurance that such costs and other constraints will be taken into account in determining the RAB in the future and/or will not have a material adverse effect on Gatwick's operations or its financial condition.

Planning and construction

GAL's capital investment programme includes major construction projects at Gatwick and is subject to a number of risks. For example, if GAL is not able to achieve a consensus among its airline customers in support of capital investment projects, this could affect the willingness of the CAA to include the costs of such projects in the RAB and may result in the payment of capital trigger rebates to airlines. Difficulties in obtaining any requisite permits, consents, including environmental consents, licences, planning permissions, compulsory purchase orders or easements could adversely affect the design or increase the cost of the capital expenditure projects or delay or prevent the completion of a project or the commencement of its commercial operation. GAL may face higher than expected construction costs and delays, not all of which may be permitted by the CAA to be included in Gatwick's RAB, and possible shortages of equipment, materials and labour due to the number of major construction projects in the London area. GAL may also suffer business interruption from construction incidents.

The failure of GAL to recognise, plan for and manage the extent of the impact of construction projects on Gatwick could result in projects overrunning budgets, operational disruptions, the payment of capital expenditure trigger rebates to airlines, unsatisfactory facilities at Gatwick, safety and security performance deficiencies and higher than expected operating costs. Any of these could affect Gatwick's day-to-day operations.

The commencement of commercial operation of a newly constructed facility may also give rise to start-up problems, such as the breakdown or failure of equipment or processes or lack of readiness of operators, closure of facilities and disruptions of operations. GAL's construction contracts may contain restricted remedies or limitations on liability such that any such sums claimed or amounts paid may be insufficient to cover the financial impact of breach of contract. The ability of contractors to meet their financial or other liabilities cannot be assured.

OTHER RISKS

Insurance

GAL benefits from insurance cover to protect against key insurable risks including terrorism and business interruption. Cover may not be adequate to cover lost income, reinstatement costs, increased expenses or other liabilities. Moreover, there can be no assurance that, if insurance cover is cancelled or not renewed, replacement cover will be available at commercially reasonable rates or at all.

GAL may not have, or may cease to have, insurance cover if the loss is not covered under, or is excluded from, an insurance policy including by virtue of a deductible applying, exhaustion of applicable cover limits or a policy operating as an excess policy or if the relevant insurer successfully avails itself of defences available to it, such as breach of disclosure duties, breach of policy condition or misrepresentation.

Insurance cover for GAL is currently, and may in the future be, provided by a combination of insurance market entities. Any of these insurers could cease to offer current insurance cover, become insolvent or lose their licences or authorisations.

Pensions

GAL may be required to make further contributions to its defined benefit plan if the value of the pension fund assets is not sufficient to cover potential obligations. GAL provides retirement benefits for its employees through a defined benefit plan and a defined contribution pension scheme. GAL's funding obligations under the defined benefit plan are dependent upon movements in the value of the plan assets and assumptions regarding key metrics, such as price and salary inflation and mortality rates. Changes in the plan's investment strategy may also impact on GAL's funding obligations. The defined benefit plan's next valuation is due to be completed by 31 December 2013, in conjunction with which contributions to the scheme may be revised. In addition, the UK Pensions Regulator has powers, the exercise of which could require other members of the Borrower Group, including the Issuer as a connected person to GAL, to make additional contributions or put in place other financial support. Any increase in contributions or other forms of financial support could have a materially adverse impact on GAL's cash flows and returns.

FINANCING RISKS

Hedging Risks

While the Issuer and the Borrower operate a hedging programme in accordance with the Hedging Policy, the Issuer and the Borrower are not required to fully or perfectly hedge their present or future interest rate or inflation exposure and may not in practice do so. The Borrower or the Issuer are subject to the creditworthiness of, and in certain circumstances early termination of the hedging arrangements by, either hedge counterparties (with respect to the Borrower) or the Issuer Hedge Counterparties.

Leverage Risks

Leverage

The secured nature of the borrowings and the covenant structure put in place under the Programme allows GAL to raise debt of up to 70%, and in certain cases 72.5%, of RAB which is a higher ratio than can usually be raised under an unsecured capital structure. Debt at higher levels of leverage could have a material adverse impact on GAL's ability to meet its payment obligations under the Programme and its other borrowings.

Financing risk

The Borrower Group will need to raise further debt from time to time in order, among other things, to:

- (a) finance future capital expenditure; and
- (b) enable it/the Issuer to refinance Bonds and other debt.

There can be no assurance that the Borrower Group will be able to raise future finance on terms that are economically viable or at all. For instance, events in the credit markets in 2007 and 2008 significantly restricted the supply of credit.

Monitoring of Compliance with Warranties and Covenants and the Occurrence of Trigger Events, Loan Events of Default or Potential Loan Events of Default

The STID provides that the Borrower Security Trustee will be entitled to assume, unless it is otherwise disclosed in any Investor Report or compliance certificate or the Borrower Security Trustee is expressly informed otherwise, that no Trigger Event, Loan Event of Default or Potential Loan Event of Default has occurred which is continuing. The Borrower Security Trustee will not itself monitor whether any such event has occurred. As the Issuer is a special purpose company, it will fall to the Obligors themselves to make these determinations as well as the determinations of the financial and operational positions underlying them, which may be subjective.

Modifications, waivers and consents in respect of Common Documents and Issuer Transaction Documents and enforcement of Borrower Security

The STID provides that the Borrower Security Trustee shall seek the approval of Bondholders on certain matters, along with all other holders of Qualifying Borrower Debt, as a condition to concurring in making modifications to or granting consents or waivers or to the enforcement of the Borrower Security. Prior to the repayment in full of the Senior Debt, the Qualifying Borrower Junior Creditors (including the holders of the Class B Bonds) will not be entitled to vote (other than in respect of a Basic Terms Modification in relation to the Bonds or an Entrenched Right). It is possible that the interests of certain Qualifying Borrower Secured Creditors will not be aligned with the interests of a Class or Tranche of Bondholders and therefore there can be no assurance that any modification, consent or waiver or the enforcement action taken will be favourable to all Bondholders. In the case of modifications, consents or waivers, such changes may be detrimental to the interests of some or all Bondholders, despite the ratings of such Bonds being affirmed. The votes of the Bondholders of the relevant Class may not constitute a majority in respect of any such matter, owing to the relative size of Qualifying Borrower Debt which is capable of being voted by Authorised Credit Providers other than the Issuer (in respect of Qualifying Borrower Debt outstanding under any Borrower Loan Agreement). Such risk is increased due to the fact that (a) the votes of the Bondholders entitled to vote on a matter (except in relation to an Entrenched Right) will be treated as a single class on a pound for pound basis with the other Qualifying Borrower Secured Creditors, whereas a vote in respect of the entire Outstanding Principal Amount under certain other Authorised Credit Facilities will be taken in respect of such decisions and (b) only the votes of those Bondholders who participate within the Decision Period specified in the STID will be taken into account. Therefore, Bondholders alone may not be able to control the outcome of any particular approval or enforcement process and it is possible that the Borrower Security Trustee may be given an instruction which is not in the interests of Bondholders.

The conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally (other than matters which concern the enforcement of the Issuer Security or modifications to the STID, which matters may only be addressed in accordance with the procedures set out in the STID as described above). These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The conditions of the Bonds also provide that the Bond Trustee may, without the consent of Bondholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Bonds or (ii) determine without the consent of the Bondholders that any Bond Event of Default or potential Bond Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Bonds in place of the Issuer, in the circumstances described in Condition 14(e) (provided that the Bond Trustee may not enforce the Issuer Security or modify the STID other than pursuant to the STID).

OTHER LEGAL RISKS

Mortgagee in possession liability

Should the Borrower Security Trustee take enforcement proceedings under the Security Documents and if there is a physical entry into possession of GAL or an act of control or influence that may amount to possession, such as receiving rental income directly from a relevant tenant, the Borrower Security Trustee may be deemed to be a mortgagee in possession. A mortgagee in possession may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner. The Borrower Security Trustee has the absolute discretion at any time to refrain from taking any action under the Transaction Documents, including becoming a mortgagee in possession in respect of GAL, unless it is satisfied at the time that it is adequately indemnified by the Borrower Secured Creditors (including the Bondholders on behalf of the Issuer).

Change of law

It is possible that changes in law or regulations, or their interpretation or application (see, for example, "*Regulatory Risks – Potential Future Changes to the Regulatory Framework*" above), after the date of the Prospectus may result in the transaction as originally structured no longer having the effect anticipated.

Insolvency proceedings and subordination provisions

There has been some uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a hedging counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty. Such provisions are similar in effect to the terms which will be included in the Issuer Transaction Documents, Common Documents and the Transaction Documents relating to the subordination of Subordinated Hedge Amounts.

The UK Supreme Court has affirmed the decision of the English High Court (as upheld by the English Court of Appeal) that such a subordination provision is valid under English law. Contrary to the determination of the UK Supreme Court, the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known, particularly as the U.S. Bankruptcy Court approved, in December 2010, the settlement of the case to which the decision (above) relates.

If a creditor of the Issuer or the Borrower (such as a Hedge Counterparty) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the U.S.), and it is owed a payment by the Issuer or the Borrower, as the case may be, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Issuer Transaction Documents, Common Documents and the Transaction Documents (such as a provision of the Issuer Payment Priorities or the Borrower Post-Enforcement Priorities of Payments which

refers to the ranking of the relevant Hedge Counterparties' payment rights in respect of Subordinated Hedge Amounts). In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as a Hedge Counterparty, including U.S. established entities and certain non-U.S. established entities with assets or operations in the U.S. (although the scope of any such proceedings may be limited if the relevant non-U.S. entity is a bank with a licensed branch in a U.S. state). In general, if a subordination provision included in any of the Issuer Transaction Documents, Common Documents or Transaction Documents were successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order were recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Bondholders, the market value of the Bonds, the ability of the Borrower to satisfy its obligations under the Borrower Loan Agreements and/or the ability of the Issuer to satisfy its obligations under the Bonds.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Issuer Transaction Documents, Common Documents and Transaction Documents will include terms providing for the subordination of Subordinated Hedge Amounts, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Bonds. If any rating assigned to the Bonds is lowered, the market value of the Bonds may reduce.

Tax Risks

Change of tax law and practice

The statements in relation to taxation set out in this Prospectus are based on current law and the practice of the relevant authorities in force or applied at the date of this Prospectus. Any changes in such law or practice might have an adverse effect on the financial position of the Issuer or the Borrower.

The Issuer's UK tax position

The Issuer has been advised that it should be a "securitisation company" for the purposes of the Securitisation Regulations. Accordingly, the Issuer should be subject to corporation tax in the UK on its "retained profit" only in accordance with the special regime for securitisation companies as provided for by these regulations.

If the Issuer were to cease to qualify as a securitisation company, this may have an adverse effect on the Issuer's UK tax position, which could adversely affect the Issuer's ability to make timely payment of interest and principal under the Bonds.

Potential secondary tax liabilities of the members of the Borrower Group and the Issuer

Where a company fails to discharge certain tax liabilities due and payable by it within a specified time period, UK tax law imposes, in certain circumstances (including where that company has been sold so that it becomes controlled by another person), secondary liability for those overdue taxes on other companies that are or have been members of the same group of companies, or are or have been under common control, for tax purposes with the company that has not discharged its tax liabilities.

The Security Parent on behalf of itself and each other member of the Borrower Group from time to time has undertaken in the Tax Deed that no steps have been or will be taken by it or any member of the Borrower Group which could be expected to give rise to a secondary liability for the Issuer or the Borrower. If any secondary tax liabilities arise in the Issuer or the Borrower (whether in respect of a primary tax liability of a member of the Borrower Group or of another company with which the Issuer or the Borrower is or has been grouped or is under common control for UK tax purposes), and those secondary tax liabilities are not

discharged by the Security Parent or any other member of the Borrower Group, and are of significant amounts, the Issuer or the Borrower could be adversely affected.

The Issuer and the members of the Borrower Group have been and are members of a VAT group that also includes members of the wider corporate group of which GAL is the representative member.

Withholding tax in respect of the Bonds

All payments under the Bonds can be made without deduction or withholding for or on account of any UK tax provided that they are and continue to be included in the Official List and admitted to trading on the London Stock Exchange (see "*Tax Considerations*" below). All payments under the Bonds can be made without deduction or withholding on account of Jersey law.

In the event that any withholding or deduction for or on account of tax is required to be made from payments due under the Bonds, neither the Issuer nor any Paying Agent nor any other person will be obliged to pay any additional amounts to Bondholders or, if Definitive Bonds are issued, Couponholders, or otherwise to compensate Bondholders or Couponholders for the reduction in the amounts they will receive as a result of such withholding or deduction.

If, as a result of a change in tax law, any withholding or deduction for or on account of any UK or Jersey Tax is required to be made, the Issuer will have the option (but not the obligation) of redeeming all (but not some only) outstanding Bonds in full at the Principal Amount Outstanding (as adjusted, in the case of the index-linked bonds, in accordance with the terms of the relevant Bonds) together with accrued interest pursuant to Condition 5 (*Interest and Other Calculations*). For the avoidance of doubt, none of the Bond Trustee, Bondholders or Couponholders will have the right to require the Issuer to redeem the Bonds in these circumstances.

Withholding tax in respect of the Borrower Loan Agreements

All payments made under any of the Borrower Loan Agreements can be made without deduction or withholding for or on account of any UK tax. In the event that, for example as a result of a change in tax law, any withholding or deduction for or on account of tax is required to be made from any payment due to the Issuer under any of the Borrower Loan Agreements, the amount of that payment will be increased so that, after such withholding or deduction has been made, the Issuer will receive a cash amount equal to the amount that it would have received had no such withholding or deduction been required to be made. If the Borrower is obliged to increase any sum payable by it to the Issuer as a result of the Borrower being required to make a withholding or deduction from that payment, the Borrower will have the option (but not the obligation) to prepay all relevant outstanding advances made under the Borrower Loan Agreements in full. If the Borrower chooses to prepay the advances, the Issuer will then be required to redeem the Bonds. Such redemption would be for the Principal Amount Outstanding (as adjusted, in the case of the index-linked bonds, in accordance with the terms of the Bonds), together with accrued but unpaid interest. If the Borrower does not have sufficient funds to enable it either to repay amounts due under the Borrower Loan Agreements or to make increased payments to the Issuer, the Issuer's ability to make timely payments of interest and principal under the Bonds could be adversely affected.

Withholding tax in respect of the Issuer Hedging Agreements

It should be possible to structure the Issuer Hedging Agreements so as to ensure that all payments thereunder can be made without withholding or deduction for or on account of any UK tax. If any withholding or deduction for or on account of any tax is required to be made from any payment due from the Issuer under the Issuer Hedging Agreements, the Issuer will not be obliged to pay any additional amounts to the relevant Issuer Hedge Counterparty in respect of the amounts so required to be withheld or deducted.

If any withholding or deduction for or on account of any tax is required to be made from any payment due under the Issuer Hedging Agreements by an Issuer Hedge Counterparty, that Issuer Hedge Counterparty shall be obliged to pay an additional amount to the Issuer, in a sufficient amount so that the amount received shall be equal to the amount due and payable had such withholding or deduction not been required, but in the event of a requirement (or a substantial likelihood of such a requirement) to withhold or deduct for or on account of any tax by either party to an Issuer Hedging Agreement as a result of a change in law (or the application or official interpretation thereof), the Issuer Hedge Counterparty will have the right to terminate the Issuer Hedging Agreement (subject to the condition that the Issuer Hedge Counterparty shall first have used reasonable efforts to transfer its rights and obligations under the Issuer Hedging Agreement to another of its offices or affiliates such that payments made by or to that office or affiliate under the Issuer Hedging Agreement can be made without any withholding or deduction for or on account of tax).

U.S. Foreign Account Tax Compliance withholding

The Foreign Account Tax Compliance Act (**FATCA**) provisions of the Hiring Incentives to Restore Employment Act impose a new reporting regime and, potentially, a 30% withholding tax on relevant payments (or part of those payments). The new withholding regime will be phased in from 2014 and the withholding provisions of potential relevance to the Issuer are to take effect from 1 January 2015.

Withholding will apply to many types of payment received by a non-US financial institution (a "foreign financial institution" as defined by FATCA) (an **FFI**) if it does not enter into and comply with an agreement with the U.S. Internal Revenue Service (**IRS**) to (1) provide certain information concerning its account holders and holders of its debt and equity, and (2) withhold tax on payments made to certain other parties. An FFI which enters into such an agreement is referred to as a "participating FFI". Withholding will also apply to certain payments received by a "non-financial foreign entity" (as defined by FATCA) (an **NFFE**) from a participating FFI if it does not provide certain information concerning its US beneficial owners.

As a consequence of certain US federal tax elections which have been and are expected to be made shortly by the Issuer and other entities in its group, the Issuer believes that it and its group will be treated as an NFFE and not an FFI. Were these elections not to be made, the Issuer may be treated as an FFI and so, unless (contrary to its current intention) the Issuer enters into an agreement with the IRS to be a "participating FFI", certain payments received by the Issuer from a participating FFI would be subject to withholding.

Under the FATCA rules, certain payments made to the Issuer from U.S. sources could be subject to a 30% withholding tax and a wider range of payments from participating FFIs could, in part, be subject to withholding; notably, the latter category could include payments received from non-U.S. Hedge Counterparties. The Issuer would be entitled to be "grossed up" in such circumstances in accordance with the terms of the relevant hedging arrangement, but, if this happened (or there was a substantial likelihood of it happening), the relevant Hedge Counterparty would have the right to terminate that hedging arrangement. It is unlikely that the withholding would apply (a) to payments from U.S. Hedge Counterparties or (b) if the Issuer and other entities in its group are treated as an NFFE and supply all the information required by FATCA, but the Issuer may be unable to establish or maintain hedging arrangements solely with U.S. Hedge Counterparties or to supply the relevant information.

It is therefore possible that, if FATCA is implemented as currently proposed by the IRS, the Issuer may be required to redeem some or all of the Bonds (in whole or in part) before the due date and/or that Bondholders may receive less interest or principal than expected.

FATCA is particularly complex and its application to the Issuer is uncertain as the IRS has not yet provided comprehensive guidance. Each prospective Bondholder should consult its own tax advisor to obtain a more detailed explanation of FATCA and to learn how this legislation might apply in its particular circumstances.

Insolvency Considerations

Appointment of Administrative Receiver

The Insolvency Act 1986 allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. Although there is as yet no case law on how these provisions will be interpreted, it should be applicable to the floating charges created by the Obligors and assigned by way of security to the Borrower Security Trustee. However, as this issue is partly a question of fact, were it not to be possible to appoint an administrative receiver in respect of one or more Obligors, they would be subject to administration if they were to become insolvent.

Since the Issuer is incorporated in Jersey, it is unlikely that it will be possible to appoint an administrative receiver in respect of the Issuer in England (so as to prevent the appointment of an English administrator) using the capital market provisions referred to above. Accordingly, in the event that the Issuer were to become insolvent and it was not possible to appoint an administrative receiver, the Issuer could be placed into administration.

Recharacterisation of fixed security interest

There is a possibility that a court could find that certain fixed security interests expressed to be created by the Security Documents instead take effect as floating charges. Whether the fixed security interests will be upheld will depend, among other things, on whether the Borrower Security Trustee or, as the case may be, the Issuer Security Trustee has the requisite degree of control over the relevant assets and exercises that control in practice. If the fixed security interests are recharacterised as floating security interests, certain claims, including certain employee claims in respect of contributions to pension schemes and wages and the costs and expenses of an administration and/or a liquidation, may have priority over the rights of the Borrower Security Trustee or the Issuer Security Trustee, as the case may be, to the proceeds of enforcement.

ISSUER AND BOND CONSIDERATIONS

Bonds obligations of Issuer only

None of the Bonds will be obligations of, nor will they be guaranteed by, any of the Other Parties or any company in the Borrower Group. Furthermore, the Bonds are limited recourse obligations of the Issuer and no person other than the Issuer will accept any liability whatsoever to Bondholders in respect of any failure by the Issuer to pay any amount due under the Bonds.

Special purpose vehicles

The Issuer is a special purpose financing entity. Other than the proceeds of the issuance of Bonds, the Issuer's principal source of funds will be pursuant to the Borrower Loan Agreements and funds available to it pursuant to the Liquidity Facilities and the Issuer Hedging Agreements.

Therefore, the Issuer is subject to all the risks relating to income and expenses to which the Borrower is subject. Such risks could limit funds available to the Borrower to enable the Borrower to satisfy in full and on a timely basis its obligations under the Borrower Loan Agreements.

Similarly, the Security Parent is a non-operating holding company. Other than by virtue of the shares it owns in GAL, the Security Parent will not have any other income or assets. The Security Parent guarantees the payment obligations of the Borrower Loan Agreements and has provided security in favour of the Borrower Secured Creditors, including the Issuer. Therefore, the Issuer is subject to the risk that the Security Parent will not have sufficient income to make payments under the guarantee or that upon the enforcement of the security provided by it, including over its shares in GAL, there are insufficient proceeds to discharge its payment obligations.

Reliance by the Issuer on third parties and Issuer Hedge Counterparties

The Issuer has entered into agreements with a number of third parties, which have agreed to perform services for the Issuer. In particular, but without limitation, the Issuer Cash Manager has been appointed to provide cash management services to the Issuer, and the Issuer Account Bank has been appointed to provide banking services to the Issuer and the Issuer Corporate Administration Providers have been appointed to provide corporate services to the Issuer. In the event that any of those parties fails to perform its obligations under the relevant agreement to which it is a party, the ability of the Issuer to make payments owed in respect of the Bonds may be affected.

The Issuer is also reliant on the Issuer Hedge Counterparties to provide a hedge against interest rate, currency, inflation and/or other risks in respect of amounts received by the Issuer from the Borrower under the Borrower Loan Agreements and the amounts payable by the Issuer under the Bonds.

If the Issuer fails to make timely payments of amounts due under any Hedging Agreement, then it will have defaulted under that Hedging Agreement and such Hedging Agreement may be terminated by the relevant Issuer Hedge Counterparty. An Issuer Hedge Counterparty is only obliged to make payments to the Issuer as long as the Issuer complies with its payment obligations under the relevant Hedging Agreement. If a Hedging Agreement terminates or the Issuer Hedge Counterparty is not obliged to make payments or if the Issuer Hedge Counterparty defaults on its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the Issuer on the due date for payment under the relevant Hedging Agreement, the Issuer will be exposed to changes in the relevant currency exchange rates and to any changes in the relevant rates of interest, where such hedges are put in place. Unless a replacement hedge is entered into, the Issuer may have insufficient funds to make payments due under the relevant Bonds.

If a Hedging Agreement terminates, then the Issuer may be obliged to make a termination payment to the relevant Issuer Hedge Counterparty. There can be no assurance that the Issuer will have sufficient funds available to make a termination payment under the relevant Hedging Agreement, nor can there be any assurance that the Issuer will be able to enter into a replacement hedging agreement, or if one is entered into, that the credit rating of the replacement hedge counterparty will be sufficiently high to prevent a downgrade of the then current ratings of the Bonds by the Rating Agencies.

If the Issuer is obliged to pay a termination payment under any Hedging Agreement, such termination payment will rank ahead of amounts due on the Bonds, except where default by, or downgrade of, the relevant Issuer Hedge Counterparty has caused the relevant Hedging Agreement to terminate. The obligation on the Issuer to make a termination payment may adversely affect the ability of the Issuer to meet its obligations under the Bonds.

Conflicts of interest generally

Conflicts of interest may arise during the life of the Programme as a result of various factors involving certain transaction parties. For example, such potential conflicts may arise because one or more lenders to the Issuer or the Borrower (including under the Liquidity Facility Agreement) may also act in other capacities under the Transaction Documents, although the relevant rights and obligations under the Transaction Documents are not contractually conflicting and are independent from one another.

Issuer and Borrower security

Although the Issuer Security Trustee will hold the benefit of the Issuer Security on trust for the Bondholders and the Borrower Security Trustee will hold the benefit of the Borrower Security on trust for the Borrower Secured Creditors, such security interests will also be held on trust for certain third parties. Certain of the Issuer's obligations to such third parties rank ahead of the Bondholders. Such persons include, among others, the Bond Trustee (in its individual capacity), the Issuer Security Trustee (in its individual capacity), the Issuer Hedge Counterparties (in respect of certain payments payable to them), the Liquidity Facility

Providers, the Registrar, the Transfer Agents, the Paying Agents and the Issuer Account Bank in respect of certain amounts owed to them (see "*Summary of the Financing Agreements – Issuer Cash Management Agreement*" and "*Summary of the Financing Agreements – Issuer Account Bank Agreement*"). To the extent that significant amounts are owing to any such persons, the amounts available to Bondholders will be reduced. Likewise, certain of the Borrower's obligations to certain third parties will rank ahead of its obligations to the Issuer. In addition, it should be noted that unsecured creditors of the Borrower, such as trade creditors and suppliers, while subordinate to Borrower Secured Creditors, are not bound into the financing structure as they are not parties to the STID and the Common Terms Agreement and so will be able to petition for a winding up or administration of the Borrower where it fails to pay its unsecured debts as they fall due.

Timing of payment on Bonds

Payment dates for the various different types of Senior Debt and Junior Debt will not necessarily coincide, and there is no obligation to ensure that a payment made in respect of any Junior Debt will not lead to a deficiency of funds to make payments in respect of Senior Debt that falls due on a later date.

Subordination of the Class B Bonds

Payments under any Class B Bonds (if issued) will rank subordinate to payments under the Class A Bonds. If on any Interest Payment Date the Issuer has insufficient funds to make payments under the Class B Bonds, the Issuer's liability to make such payments will be deferred and no non-payment Bond Event of Default will arise as a result of such non-payment. Prior to repayment in full of the Senior Debt, rights of holders of Class B Bonds will be (other than with respect to a Basic Terms Modification or other matters which affect their Entrenched Rights) generally restricted with respect to certain actions and participating in voting on STID Proposals, with the result that such holders will only be entitled to vote on certain matters and take action following repayment of the Senior Debt.

Conflict of interest between Bondholders

The Bond Trust Deed requires the Bond Trustee to have regard to the interests of all the Bondholders (so long as any of the Bonds remain outstanding) equally as regards all powers, trusts, authorities, duties and discretions of the Bond Trustee as if they formed a single class (except where expressly required otherwise). However, the Bond Trust Deed also requires that, in the event of a conflict between the interests of the holders of any Class of Bonds, the Bond Trustee shall have regard to the interests of the holders of the Most Senior Class of Bonds then outstanding provided that, if, in the Bond Trustee's opinion, there is a conflict of interest between the holders of two or more Tranches or Sub-Classes of Bonds of the same Class, it shall have regard to the interests of the holders of the Tranche or Sub-Class of such Class then outstanding with the greatest Principal Amount Outstanding.

Limited liquidity of the Bonds; Absence of secondary market for the Bonds

There can be no assurance that a secondary market for the Bonds will develop, or, if a secondary market does develop for any of the Bonds issued after the date of this Prospectus, that it will provide any holder of Bonds with liquidity or that any such liquidity will continue for the life of the Bonds. Consequently, any purchaser of the Bonds must be prepared to hold such Bonds for an indefinite period of time or until final redemption or maturity of the Bonds.

The liquidity and market value at any time of the Bonds are affected by, among other things, the market view of the credit risk of such Bonds and will generally fluctuate with general interest rate fluctuations, general economic conditions, the condition of certain financial markets, international political events and the performance and financial condition of the Borrower.

Optional redemption by the Issuer

The Issuer may, if such option is specified in the relevant Final Terms, elect to redeem the relevant Bonds in advance of their scheduled maturity date by giving notice to the relevant Bondholders in accordance with the Terms and Conditions. For example, the Issuer may redeem Bonds when its cost of borrowing is lower than the interest rate on the Bonds depending on the price the applicable Bonds may be redeemed at. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Rating of the Bonds; Change to covenants subject to confirmation by the Rating Agencies

Changes can be made to certain covenants provided that the Borrower obtains confirmation from the Rating Agencies in respect of the particular change. The Rating Agencies may not provide their confirmation in the time available or at all, and they will not be responsible for the consequences thereof. Confirmation from the Rating Agencies, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time. Confirmation from the Rating Agencies cannot be construed as advice for the benefit of any parties to the transaction. No assurance can be given that, although confirmation from the Rating Agencies in respect of any particular change has been provided, such change will not have an adverse impact upon the business of the Borrower.

The ratings assigned by the Rating Agencies to the Bonds reflect only the views of the Rating Agencies and in assigning the ratings, the Rating Agencies take into consideration the credit quality of the Borrower and structural features and other aspects of the transaction. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in, or unavailability of, information or if, in the Rating Agencies' judgment, circumstances so warrant. If any rating assigned to the Bonds is lowered or withdrawn, the market value of the Bonds may be reduced. Future events, including events affecting the Borrower and/or circumstances relating to the airport industry generally, could have an adverse impact on the ratings of the Bonds.

Certain risks related to index-linked Bonds

Under the Programme, the Issuer may from time to time issue Bonds with principal or interest determined by reference to an index or formula. Potential investors should be aware that they may lose all or a substantial portion of their principal of any index-linked Bonds issued under the Programme. The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any index-linked Bonds. Accordingly, each potential investor should consult its own financial and legal advisers about the risks entailed in an investment in any such Bonds and the suitability of such Bonds in the light of its particular circumstances.

Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Bonds

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in numerous measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in certain securitisation exposures and/or the incentives for certain investors to invest in securities issued under such structures, and may thereby affect the liquidity of such securities.

In particular, the CRD has been amended by CRD2 which, among other things, inserts a new Article 122a into the CRD.

Article 122a provides that an EU credit institution shall only be exposed to the credit risk of a securitisation position if (a) the originator, sponsor or original lender has represented that it will retain, on an ongoing

basis, a material net economic interest in the securitisation of not less than 5 % and (b) it is able to demonstrate to its regulator on an ongoing basis that it has a comprehensive and thorough understanding of the key terms, risks and performance of each securitisation position in which it is invested. Failure by an EU credit institution investor to comply with the requirements of Article 122a in relation to any applicable investment will result in an increased capital charge to or increased risk-weighting applying to such investor in respect of that investment.

No retention representation of the sort referred to in the preceding paragraph has been made in relation to the Bonds issued under the Programme.

Investors should be aware that the regulatory capital treatment of any investment in the Bonds will be determined by the interpretation which an investor's regulator places on the provisions of CRD (as amended by CRD2) and the provisions of national law which implement it. Although market participants have, in consultations relating to these regulatory reforms, requested guidance on the structures captured by the definitions, no definitive guidance has been forthcoming. Therefore some uncertainty remains as to which transactions are subject to Article 122a of the CRD.

Similar requirements to those set out in Article 122a are expected to be implemented for other EU regulated investors, including investment firms, insurance or reinsurance undertakings, UCITS and/or certain hedge fund managers.

Article 122a of the CRD and/or any further changes to the regulation or regulatory treatment of the Bonds for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Bonds in the secondary market.

In addition, the regulatory capital framework published by the Basel Committee on Banking Supervision (the **Basel Committee**) in 2006 (the **Basel II framework**) may affect the capital requirements and/or the liquidity of the Bonds. The Basel II framework has not been fully implemented in all participating countries. The implementation of the framework in relevant jurisdictions may affect the risk-weighting of the Bonds for investors who are, or may become, subject to capital adequacy requirements that follow the framework.

It should also be noted that the Basel Committee has approved significant changes to the Basel II framework (such changes being commonly referred to as **Basel III**), including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards and minimum leverage ratio for credit institutions. In particular, the changes refer to among other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the **Liquidity Coverage Ratio** and the **Net Stable Funding Ratio**). Member countries will be required to implement the new capital standards from January 2013, the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The European authorities have indicated that they support the work of the Basel Committee on the approved changes in general, and the European Commission's corresponding proposals to implement the changes (through amendments to the Capital Requirements Directive known as CRD 4) were presented in the second quarter 2011. The changes approved by the Basel Committee may have an impact on the capital requirements in respect of the Bonds and/or on incentives to hold the Bonds for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Bonds.

Investors in the Bonds are responsible for analysing their own regulatory position. Investors should consult their own advisors as to the regulatory capital requirements in respect of the Bonds and as to the consequences to and effect on them of any changes to the Basel II framework (including the Basel III changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

Denominations and trading

The Bonds of each Class, Sub-Class or Tranche will be issued in the Specified Denominations as set out in the Final Terms. For so long as the Bonds of any relevant Class, Sub-Class or Tranche are represented by a Global Bond, and the rules of Euroclear and Clearstream, Luxembourg so permit, the Bonds will be tradeable in the Minimum Denomination and the Integral Amount up to and including the Maximum Denomination. However, if Definitive Bonds for that Class, Sub-Class or Tranche of Bonds are required to be issued and printed, any Bondholders holding Bonds having a denomination which cannot be represented by a Definitive Bond in the Minimum Denomination or higher integral multiples of the Integral Amount up to and including the Maximum Denomination will not be entitled to receive a Definitive Bond and would need to purchase a principal amount of Bonds such that its holding amounts to a Specified Denomination.

Book-entry form of Bonds

The Bonds will initially only be issued in global form and deposited with a common depositary, or common safekeeper, for Euroclear and Clearstream, Luxembourg. Interests in the Global Bonds will trade in book-entry form only. The common depositary, or its nominee, or the common safekeeper for Euroclear and Clearstream, Luxembourg will be the sole holder of the Global Bonds representing the Bonds. Accordingly, owners of book-entry interests must rely on the procedures of Euroclear and Clearstream, Luxembourg, and non-participants in Euroclear or Clearstream, Luxembourg must rely on the procedures of the participant through which they own their interests, to exercise any rights and obligations of a holder of Bonds.

Unlike the holders of the Bonds themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Bonds. The procedures to be implemented through Euroclear and Clearstream, Luxembourg may not be adequate to ensure the timely exercise of rights under the Bonds.

European Economic and Monetary Union

It is possible that prior to the maturity of the Bonds, the United Kingdom may become a participating member state in the European economic and monetary union and the euro may become the lawful currency of the United Kingdom. In that event (a) all amounts payable in respect of any Bonds denominated in sterling may become payable in euro; (b) applicable provisions of law may allow or require the Issuer to redenominate such Bonds into euro and take additional measures in respect of such Bonds; and (iii) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the rates of interest on such Bonds or changes in the way those rates are calculated, quoted and published or displayed. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom would have on investors in the Bonds.

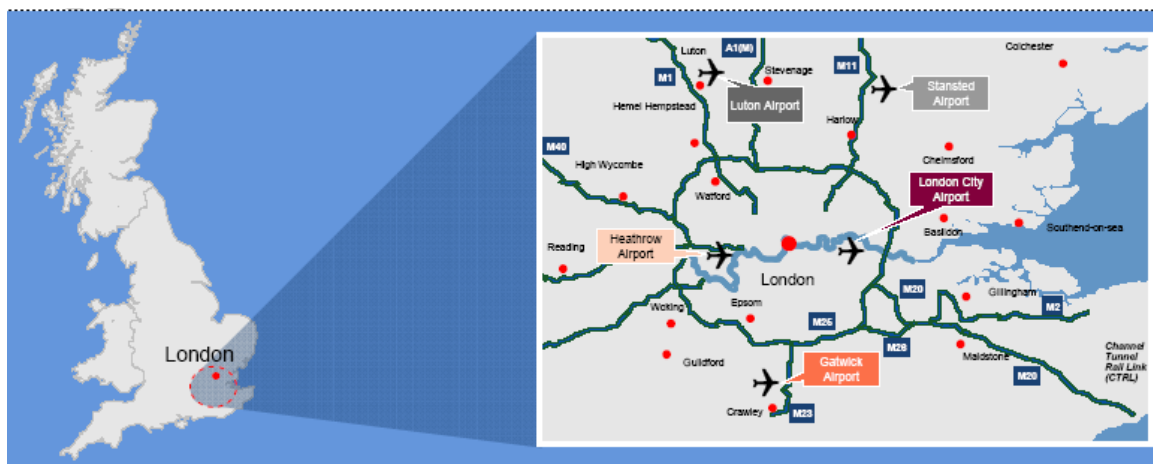
BUSINESS OF GATWICK AIRPORT LIMITED

OVERVIEW

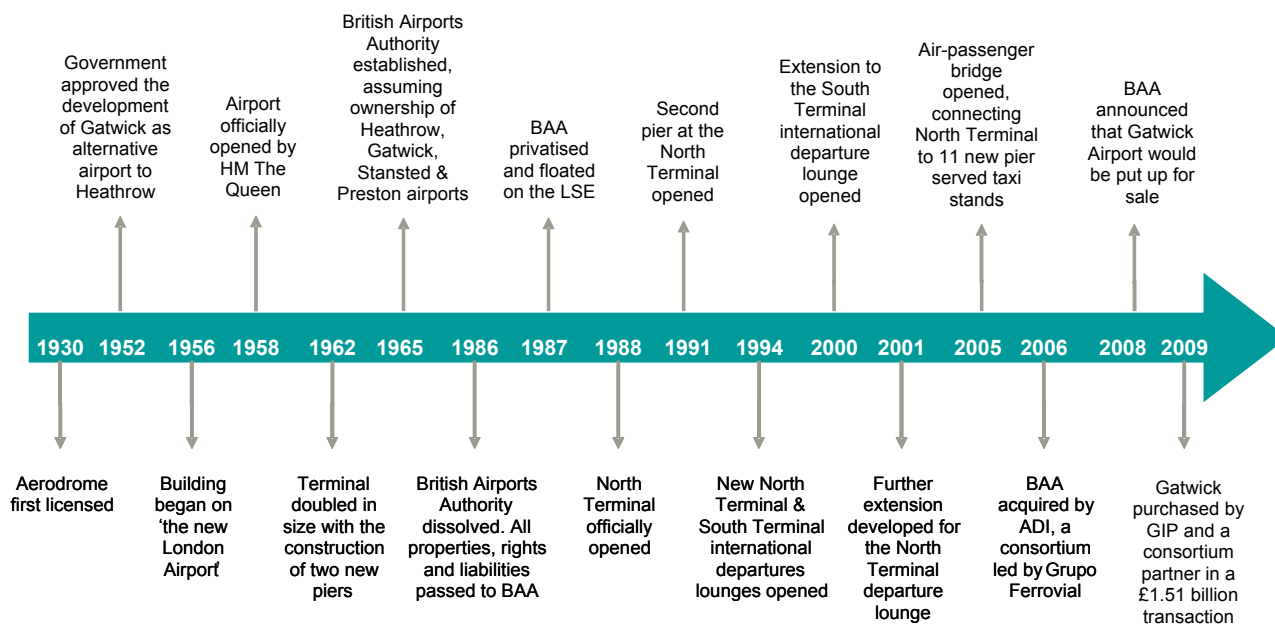
Overview of Gatwick

Gatwick is the world's busiest single runway airport and the UK's second busiest airport by total passenger traffic (after Heathrow Airport). For the year ended 31 March 2011, 31.6 million passengers passed through Gatwick, approximately 25% of airline passenger traffic in the Greater London area, one of the busiest centres for air transport in the world (Source: CAA Airport Statistics 2010). Gatwick has a high proportion of origin and destination passengers, with only 8% as transfer passengers. Gatwick had 235,575 passenger air transport movements in the year ended 31 March 2011. Gatwick's estimated physical capacity is 290,000 air transport movements and 45 million passengers per annum, leaving some potential for further expansion. It is the ninth largest airport in Europe for international passenger traffic (Source: ACI Airport Rankings 2010).

Gatwick Airport is located 29 miles south of Central London and 3 miles north of Crawley, West Sussex at Gatwick, West Sussex RH6 0NP. As shown in the map below, Gatwick is easily accessible by motorway and train, taking only 30 minutes from London Victoria Station on the Gatwick Express.



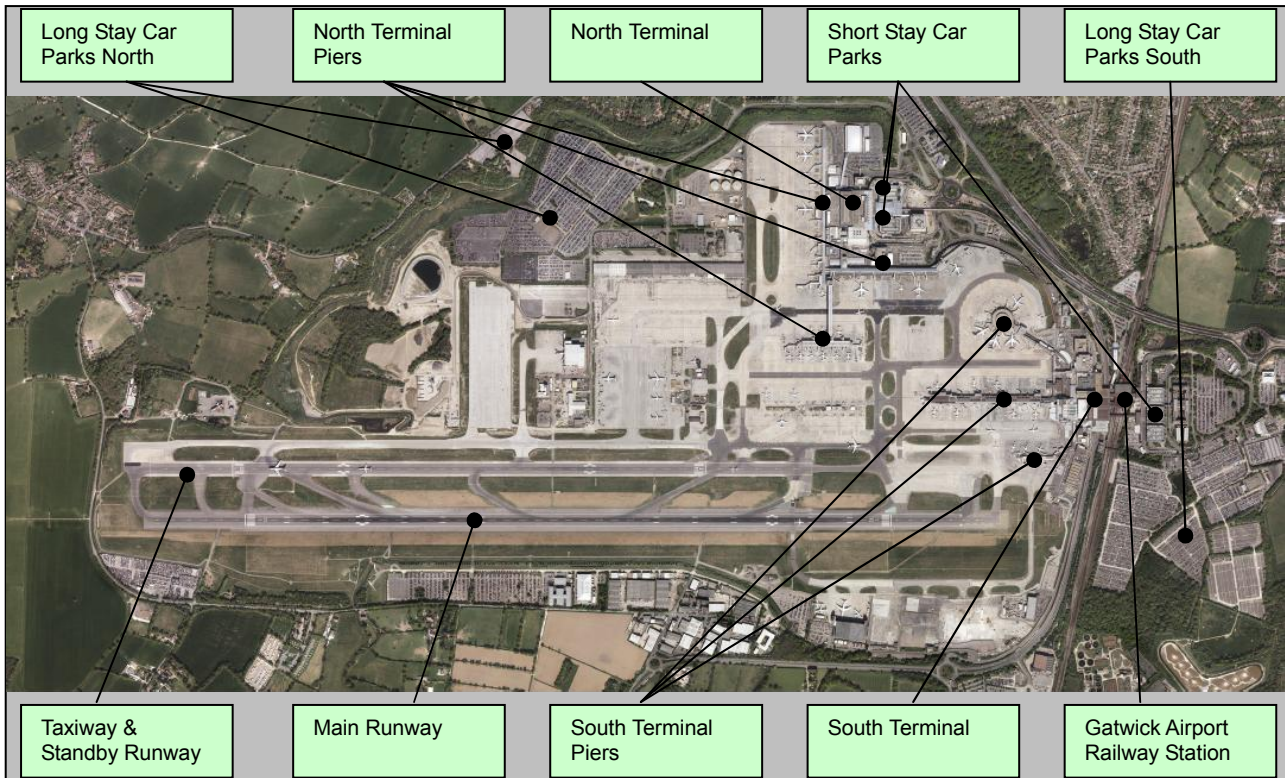
A brief history of Gatwick and its expansion



Gatwick's South Terminal was officially opened by HM The Queen on 9 June 1958, with the North Terminal following 30 years later in 1988. Gatwick has undergone a number of expansion and investment programmes, including the opening of the new North Terminal International Departures Lounge and the first phase of the new South Terminal International Departures Lounge in 1994 and the extension to the international departure lounge in the South Terminal in 2000, offering more seating, shops and restaurants. A further extension was developed for the North Terminal departure lounge in 2001.

Gatwick infrastructure and traffic

Gatwick has one 3,316 metre-long runway with a total of six piers and 66 pier-served aircraft stands. Gatwick also has 51 remote aircraft parking stands. The location of the terminals, piers and car parks can be seen on the map below. Gatwick is prohibited by an agreement reached with its local council from beginning the construction of a second runway prior to 2019. Current stated UK Government policy is opposed to the construction of a further runway in the South East for the foreseeable future.



At 1 April 2011, the 65 main airlines operating regularly in and out of Gatwick served 14 domestic and over 215 international destinations. Gatwick is predominantly a point-to point airport, with 68% of Gatwick's air traffic accounted for by international short-haul travel. International long-haul and domestic travel account for the remaining 20% and 12% respectively.

In the 12 months ended 30 September 2011, low-cost flights account for 52% of air traffic at Gatwick with scheduled (or "full service") and chartered flights accounting for the remainder (31% and 17% respectively)¹ (Source: Gatwick Management).

Overview of the ownership of, and strategic plans for, Gatwick

Ownership

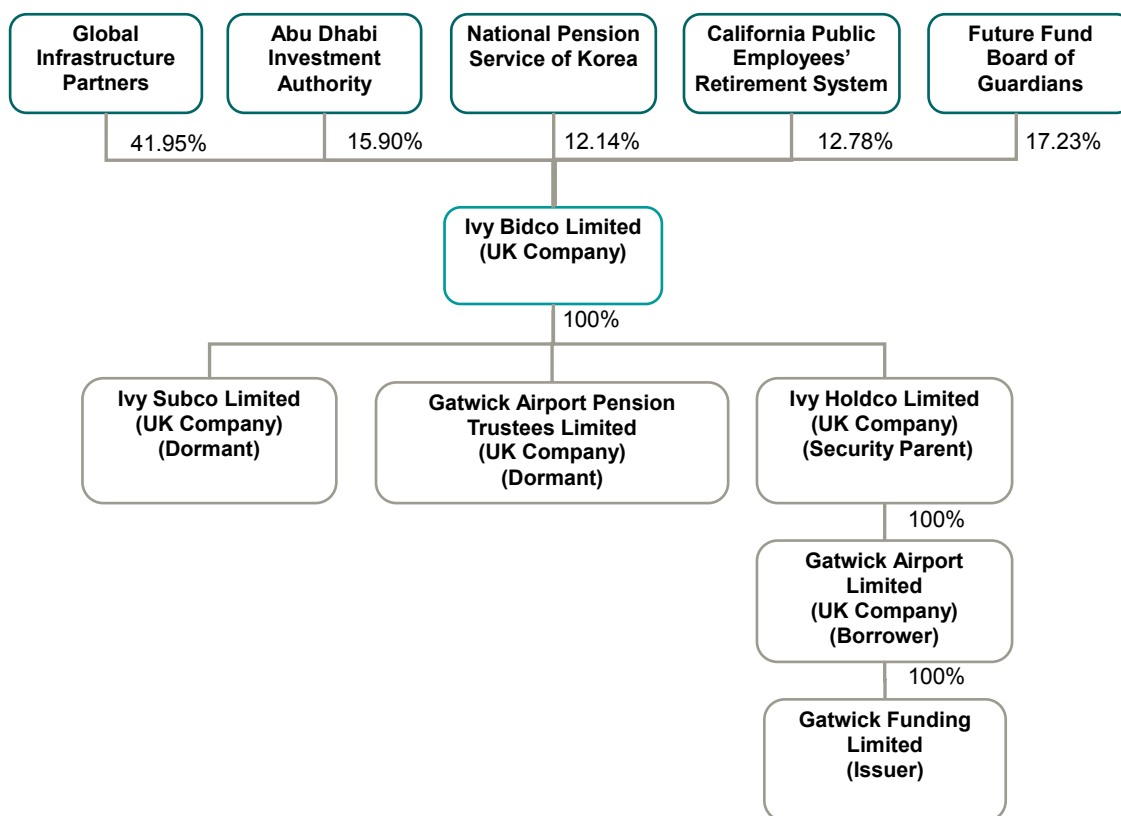
GAL is the owner and operator of Gatwick.

On 3 December 2009, GAL was acquired from BAA by Ivy Bidco Limited, a UK incorporated company, together with certain car parks which were acquired by a wholly owned subsidiary of Ivy Bidco Limited, Ivy Subco Limited. On 2 March 2011, ownership of GAL was transferred to Ivy Holdco Limited and GAL acquired the car parks from Ivy Subco Limited. Ivy Holdco Limited is ultimately indirectly owned, through a number of UK and overseas holding companies and limited liability partnerships, by a consortium comprised of experienced investors whose economic interests, as of 11 January 2012, in Ivy Holdco Limited, as parent of GAL, were: 41.95% held by Global Infrastructure Partners, 15.90% held by Abu Dhabi Investment

¹ From October 2011 GAL is utilising information contained within its electronic business warehouse database to prepare the flight type statistics at Gatwick. Previously these statistics were reported based on survey data collected manually from a sample of passengers. GAL believes that the new basis is more accurate as it utilises business warehouse intelligence to analyse information and to categorise all passengers on all flights rather than relying on research conducted by a manual survey which involved speaking to only a proportion of passengers.

Authority, 12.78% held by California Public Employees' Retirement System, 12.14% held by National Pension Service of Korea and 17.23% held by Future Fund Board of Guardians.

The following chart shows the simplified group structure since 2 March 2011:



GIP, which holds a 41.95% economic interest in GAL, is a US\$5.64 billion independent, specialist infrastructure fund that invests worldwide in infrastructure assets and businesses in both OECD and select emerging market countries. GIP was founded in 2006 by former senior executives from Credit Suisse and the General Electric Company. GIP targets investments in power and utilities, natural resources infrastructure, air transport infrastructure, seaports, freight railroad, water distribution and treatment and waste management. Global Infrastructure Management, LLC, the manager of GIP, has offices in New York and London with an affiliate in Sydney and portfolio operations headquarters in Stamford, Connecticut. The remaining consortium members consist of:

- (a) Abu Dhabi Investment Authority, established in 1976, is a globally diversified investment institution, whose sole mission is to invest funds on behalf of the Government of the Emirate of Abu Dhabi to make available the necessary financial resources to secure and maintain the welfare of the Emirate;
- (b) the California Public Employees' Retirement System (**CalPERS**) manages retirement benefits for more than 1.6 million public employees, retirees, and their families and more than 3,000 employers in the state of California, United States of America. CalPERS also manages health benefits for more than 1.3 million members. The CalPERS fund invests in a range of asset classes, with a current market value of approximately US\$235 billion;

- (c) National Pension Service of Korea is a public pension fund for the general public in Korea, which has grown to 300 trillion won (US\$270 billion) so far, and is the fourth largest pension fund in the world; and
- (d) Future Fund Board of Guardians is a financial asset fund established by the Future Fund Act 2006 to assist future Australian governments meet the cost of public sector superannuation liabilities by delivering investment returns on contributions to the fund. The fund has approximately A\$73 billion assets under management.

It should be noted that the consortium members may not remain as ultimate owners of GAL for the duration of the Bonds.

Strategic plans

Since its purchase, the new owners of GAL have implemented a new strategic direction for Gatwick.

Gatwick operates in a competitive market. Passengers have a choice as to which airport they fly from and airlines have alternative bases from which to operate. GAL's strategy for Gatwick is to transform the passenger experience and improve efficiency for the airlines and Gatwick itself, thereby improving its competitiveness in the London airport market. A key element of GAL's strategy is to build and maintain strong relationships with its airline customers, regulators and other stakeholders.

GAL has set out its ambition – “competing to grow and become London’s airport of choice” – and has established six strategic priorities to which GAL’s activities are aligned. These priorities are to:

- deliver the best passenger experience: by listening to Gatwick’s passengers and delivering the kind of service that will make them choose to fly from Gatwick;
- help Gatwick’s airlines grow: by understanding airlines’ goals and developing commercial partnerships;
- increase value and efficiency: by maximising income, lowering Gatwick’s operating costs and driving capital efficiency;
- protect and enhance Gatwick’s reputation: by building strong and constructive relationships with Gatwick’s stakeholders based on openness and trust;
- build a strong environment, health and safety culture: by maintaining a relentless focus on achieving zero incidents; and
- develop the best people, processes and technology: by investing in high-performing people, continuous improvement and the right systems.

STRENGTHS

Gatwick has a number of key credit strengths. Primarily, Gatwick has a strategically advantaged position in the premium, capacity constrained South East UK air travel market. Benefiting from strong demand, a predictable cost base and well-established regulatory regime, Gatwick has demonstrated strong financial performance and relative resilience to external shocks. The regime is being modernised in a manner welcomed by GAL and in line with GAL's strategy. Since acquisition in December 2009, Gatwick has put in place an experienced new management team who have already implemented a number of tangible operational improvements.

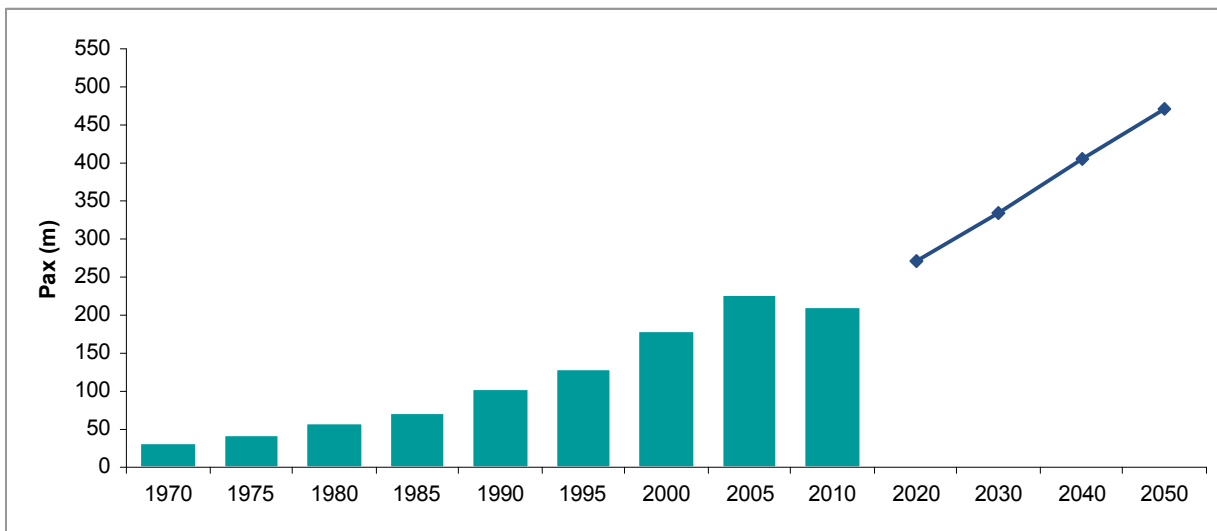
The South East premium market

Gatwick is located in the South East of the UK – a densely populated, affluent catchment area in the heart of the UK service economy. Air travel in the South East has grown significantly over the last forty-plus years from 13 million passenger journeys in 1966 to over 127 million in 2010 (Source: CAA). The Department for Transport has projected total traffic growth at UK airports to continue at 2.5% per annum over the next ten years and to reach approximately 470 million by 2050 (Source: DfT 2011 paper: UK Aviation Forecasts).

London is a leading global financial centre and the South East of England as a whole accounted for 34% of Gross Value Added (or **GVA**) and 26% of the UK population in 2007. The GVA per capita in that area was £26,300 in 2007 - 31% above the UK average (Source: Tribal 2008 Study of Gatwick's economic value).

In 2010, the UK ranked sixth in the world for international tourism arrivals and seventh in terms of international tourism receipts (Source: Visit Britain) with a significant portion of the international air traffic coming through the London area. All these factors support significant continued demand for both leisure and business origin and destination air traffic through Gatwick.

UK Airport passenger volumes: historic and forecast



Source: CAA historical data; DfT forecasts

Peak runway capacity constraint in the South East is anticipated to persist for some time given the announcement in May 2010 by the current UK Government that it does not support the construction of a third runway at Heathrow Airport or any additional runways at either Stansted Airport or Gatwick. In July 2010, the Secretary of State again stated this as the Government's position. In its 2011 National Infrastructure Plan, the UK Government stated that, while it would look at "all options for maintaining the UK's aviation hub status", this did not extend to supporting the construction of a third runway at Heathrow airport. The plan is silent as to other options for addressing airport capacity issues. The UK Government has indicated that it will consult on its long term aviation strategy in March 2012. However, there has to date been no statement from the UK Government that its 2010 policy has changed with respect to additional runways at airports in the South East.

In addition planning restrictions continue to provide a significant impediment to the introduction of new capacity.

Gatwick is a strategically advantaged South East airport

Within the peak capacity-constrained South East airports system, Gatwick has a desirable strategic location.

The airport is conveniently situated for transport to London and the South East. The Gatwick Express provides non-stop rail services directly to London Victoria Station. Gatwick's railway station is located adjacent to the South Terminal and provides frequent additional connections to other London terminals. Gatwick is also well-served by national rail links.

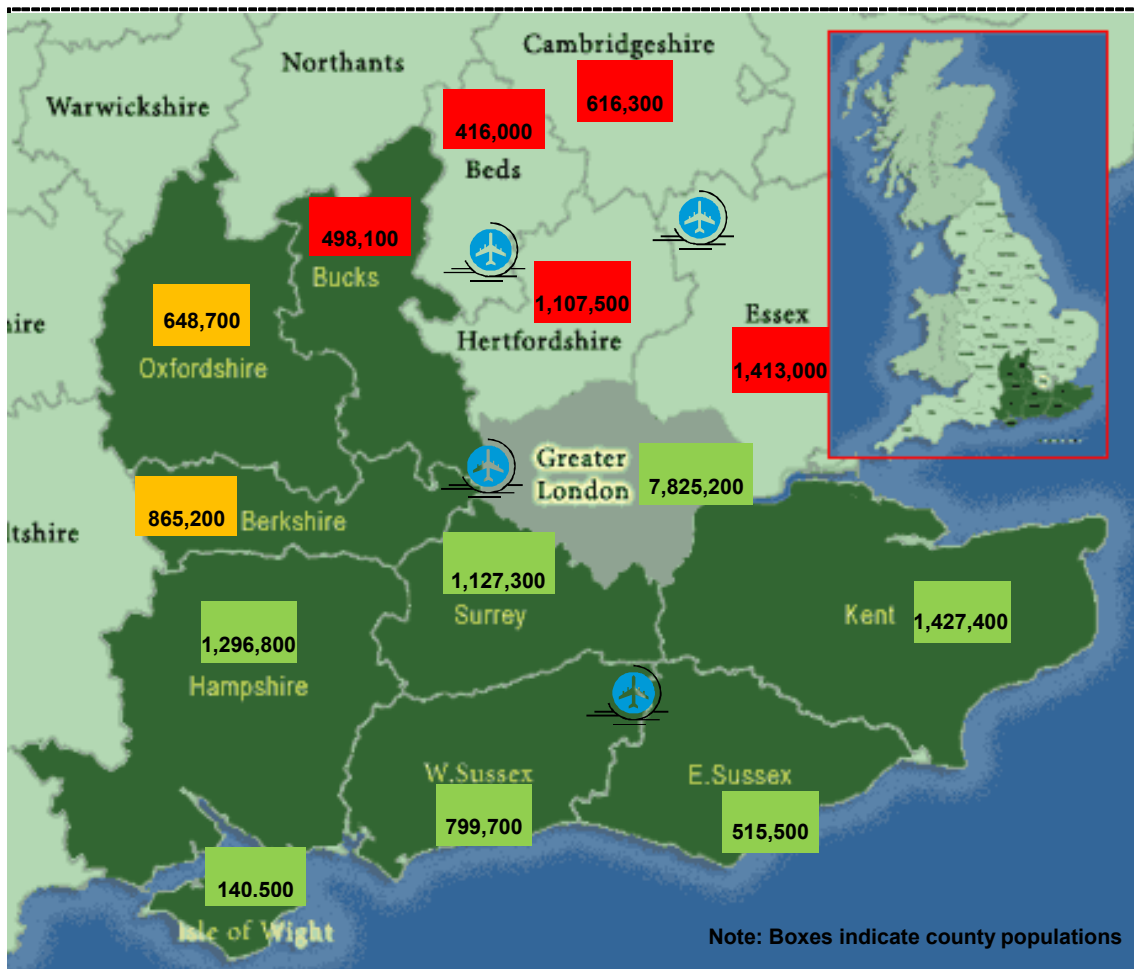
Gatwick is also located a short distance from junction 9 of the M23 motorway, nine miles from London's orbital M25 motorway.

Heathrow Airport is heavily capacity constrained, with little seasonality in its schedule and limited resilience in its daily schedule. Gatwick, which is the second busiest airport in the South East after Heathrow Airport, is capacity constrained at peak periods (although with some capacity for additional aircraft movements in the summer shoulders and in winter). Stansted Airport does have spare capacity but has historically proved less attractive to carriers than Heathrow or Gatwick given its location and its connections to London and the broader South East market. Gatwick can be considered an essential part of the South East of England's transport infrastructure.

In 2010, the total number of passengers travelling by air through the five airports in the Greater London area was approximately 127 million (Source: CAA). In 2010, Gatwick accounted for 25% of this traffic.

Gatwick is attractive to long-haul point-to-point and low-cost carriers due to its low aeronautical charges compared with many major European airports (such as London Heathrow), its ease of operations and quick turnaround times, its excellent transport links to central London, and its geographic placement in the large and wealthy catchment area south of London (as illustrated in the chart below).

Gatwick's catchment area



Source: UK Office for National Statistics: Mid-year population estimates 2010: 30/06/11

Gatwick has predominantly origin and destination traffic comprising approximately 92% of the passengers using Gatwick. Gatwick serves a diverse passenger mix: approximately 56% for leisure travel, 29% VFR (visiting friends and relatives) and 15% business (Source: CAA Survey 2010).

Internal studies carried out at Gatwick indicate that Gatwick attracts household groups with a high propensity to shop and spend. From benchmarking analysis that Gatwick has participated in, there is an indication that retail spend per passenger at Gatwick was within the upper quartile of the 20 largest airports in Europe covering the three years 2006-2008. Gatwick's retail and car parking spend per passenger increased from £4.66 per passenger for the year ended 31 March 2010 to £4.74 for the year ended 31 March 2011.

Gatwick's Strong Financial performance reflects its diverse revenue mix

Through the recent economic slowdown, Gatwick's revenue performance has remained robust, primarily due to the airport's diversified revenue base and the outcome of the Q5 regulatory settlement. EBITDA pre-exceptional items increased by approximately 26.8% between 2005 and 2011.

Gatwick's results for the 12 months to 31 March 2011 demonstrate this relatively resilient financial performance. Over the period, passenger traffic fell by 2.3% but GAL's turnover remained flat year-on-year. This was driven by an increase in the aeronautical yield and by retail and car-parking initiatives.

Turnover increased by 14.8% in the six months ended 30 September 2011 when traffic growth was 8.5% (largely due to the intermittent closure of airspace in the prior period following the eruption of Eyjafjallajökull in Iceland). Aeronautical income grew 23.5% over this period due to an increase in the allowable aeronautical yield and the re-weighting of landing charges to the summer period. Retail income was up only 4.6% to £67.7 million due to a change in passenger mix in the North Terminal and retail space being taken out as a result of construction projects. Car parking income increased broadly in line with the increase in passengers.

For additional information, see "*Financial Information and Results of Operations*".

Diversified income and revenue streams

Gatwick benefits from diversified income sources. In addition to income earned from airlines from regulated aeronautical charges, Gatwick also earns income from a variety of sources, including retail, car parking and property.

Total Revenue Breakdown

| Income (£m) | 12 months to 31 March 2009 (unaudited) | 12 months to 31 March 2010 (unaudited) ² | 12 months to 31 March 2011 (audited) | 6 months to 30 September 2011 (unaudited) |
|------------------------------------|--|---|--|---|
| Aeronautical Income | 237.0 | 244.1 | 244.3 | 178.5 |
| Retail Income | 114.1 | 115.0 | 115.6 | 67.7 |
| WDF and specialist shops | 56.7 | 58.0 | 58.9 | 35.0 |
| <i>Catering</i> | <i>16.6</i> | <i>17.7</i> | <i>17.1</i> | <i>10.3</i> |
| <i>Other retail income</i> | <i>40.8</i> | <i>39.3</i> | <i>39.6</i> | <i>22.4</i> |
| <i>Car Parking</i> | <i>54.7</i> | <i>50.4</i> | <i>51.7</i> | <i>32.9</i> |
| Property rental income | 26.2 | 26.7 | 26.9 | 12.8 |
| Specified charges and other income | 37.3 | 39.2 | 37.8 | 22.6 |
| Total turnover | 469.3 | 475.4 | 476.3 | 314.5 |

Aeronautical derived income

Gatwick serves a diversified range of major airlines, employing a variety of business models (e.g. low-cost, scheduled, charter) to serve origin and destination short-haul leisure and business traffic and long-haul leisure.

² On 7 June 2010, GAL changed its year end from 31 December to 31 March in order to align GAL's financial and regulatory year ends. As a result, the financial statements of GAL were prepared for the 15 month period ended 31 March 2010. In order to aid comparison, the unaudited figures for the 12 months ended 31 March 2010 are set out here – these figures have been taken from the audited financial statements for the 15 months ended 31 March 2011.

Over 65 airlines regularly operate out of Gatwick. The top airlines at Gatwick for the year ended 31 March 2011 were as follows:

| Airline | Air transport movements (000s)* | % of Total | Passengers (000s) | % of Total |
|-----------------|--|-------------------|--------------------------|-------------------|
| easyJet | 80.5 | 34.2 | 11,096 | 35.1 |
| British Airways | 41.2 | 17.5 | 4,500 | 14.2 |
| TUI | 13.3 | 5.7 | 2,761 | 8.7 |
| Monarch | 9.5 | 4.0 | 1,973 | 6.2 |
| Thomas Cook | 8.4 | 3.6 | 1,965 | 6.2 |
| Ryanair | 10.1 | 4.3 | 1,539 | 4.9 |
| Virgin Atlantic | 3.8 | 1.6 | 1,429 | 4.5 |
| flybe | 24.0 | 10.2 | 1,291 | 4.1 |
| Other | 44.8 | 18.9 | 5,093 | 16.1 |
| Total | 235.6 | 100.0% | 31,647 | 100.0% |

* Excludes general aviation and cargo related air transport movements.

Gatwick has a diversified network of routes regularly serving over 230 destinations worldwide. The top-twenty routes in the financial year ended 31 March 2011 accounted for only 36.9% of total passenger traffic, with no individual route representing more than 2.9% of the total. This means that Gatwick's revenues are resilient to airline network and route changes, with the airport not reliant on a small number of key city pair routes.

| Destination | Number of Operators Flying there | % of total pax | Destination | Number of Operators Flying there | % of total pax |
|--------------------|---|-----------------------|--------------------|---|-----------------------|
| Malaga | 5 | 2.9% | Jersey | 2 | 1.7% |
| Dublin | 2 | 2.7% | Tenerife Sur Reina | 4 | 1.7% |
| Alicante | 4 | 2.2% | Dalaman | 9 | 1.7% |
| Faro | 6 | 2.1% | Palma de Mallorca | 4 | 1.6% |
| Orlando | 2 | 2.1% | Glasgow | 2 | 1.6% |
| Geneva | 7 | 2.0% | Venice Marco Polo | 3 | 1.4% |
| Madrid | 3 | 2.0% | Bridgetown-Seawell | 4 | 1.3% |
| Edinburgh | 2 | 2.0% | Barcelona | 1 | 1.3% |
| Dubai | 1 | 1.9% | Rome Fiumicino | 2 | 1.2% |
| Amsterdam | 2 | 1.8% | Other destinations | Over 55 | 63.1% |
| Sharm-el-Sheikh | 6 | 1.7% | | | |

Source: Gatwick management

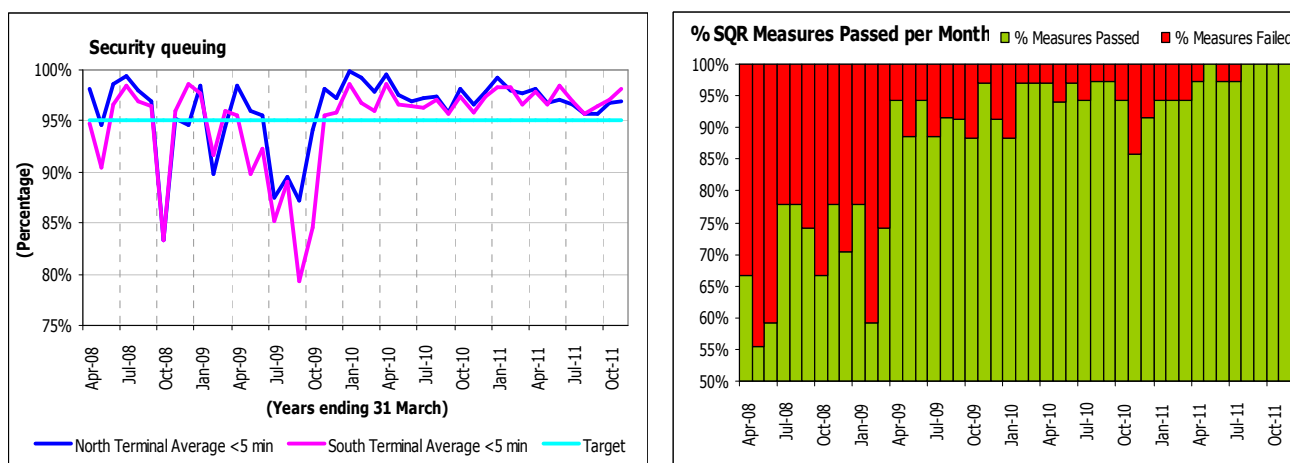
Demand for slots in recent years has remained, with various carriers – notably easyJet, British Airways and Norwegian Airlines – increasing frequencies and introducing new routes. This has provided support for passenger traffic at Gatwick following the introduction, in March 2008, of US-EU Open Skies which resulted in airlines moving some of their US services to Heathrow and the failure of a number of airlines in recent years including XL Airways, Zoom Airlines, Oasis Hong Kong and Sterling Airlines.

In light of Gatwick's new independent ownership, management have placed much greater emphasis on the development of short and long-haul origination and destination traffic. Through work with airline partners and focused airline marketing and route development activities, a number of new routes were put in place at Gatwick for Winter 2010/11 and Summer 2011 (e.g. by easyJet, British Airways and Norwegian Airlines) and carriers have switched capacity and operations from other airports around London (e.g. airberlin). A number of new long-haul airlines begin operations at Gatwick during Winter 2011/12 (e.g. Vietnam Airlines

and Hong Kong Airlines), joining AirAsia X who switched services from Stansted. Turkish Airlines and Lufthansa have also started operations at Gatwick in Winter 2011/12, with flights to Istanbul and Frankfurt respectively. Air China and Korean Air have announced new services to Beijing and Seoul commencing in Summer 2012.

A key element in increasing aeronautical income is enhancing the services provided by Gatwick to passengers. For example, in relation to security queuing, Gatwick has surpassed its service quality target of security queue times of less than 5 minutes in each month since the change of ownership, with summer 2010 being the first summer in three years in which no service quality penalties have been paid in relation to security queuing. This performance is illustrated in the chart below. Gatwick has shown improvement in the overall Quality of Service Monitor (QSM), which provides a measure of passenger satisfaction with certain airport services and facilities (i.e. cleanliness, ease of wayfinding, flight information and seating).

The QSM and security queuing targets are components of Gatwick’s broader Service Quality Regime (SQR). Since acquisition, Gatwick has improved its performance in this regard and passed all of its SQR targets in May 2011 for the first time in Q5, and again in August, September, October and November 2011. This is illustrated in the chart below:



Source: Gatwick Management

In addition to these measures, the complaint to compliment ratio has improved from 17:1 (in 2009) to 4:1 (in 2011) with complaints down 47% and compliments up 137%.

Non-aeronautical derived income

Gatwick has well-established retail in both the North and South Terminals with a total of approximately 24,400 square metres of retail space dedicated to restaurants, bars, specialist shops and duty free and tax free shopping with approximately 60 retail clients operating around 150 retail outlets. Concession revenues generally consist of a turnover percentage subject to minimum guarantees and concession rights are competitively tendered, at inception and on renewal. Typically, fashion retailers hold concessions for 3-5 years and catering for 7-10 years. World Duty Free hold the duty free concession at the airport which has 8 years remaining.

In addition, Gatwick has an extensive car park offering, comprising short-stay (6,350 spaces adjacent to terminals) and long-stay (27,500 spaces around the airport perimeter). Both terminals at Gatwick are served by car rental concessions.

Gatwick also has a real estate portfolio which generates income, with primary tenants being airlines and associated service companies.

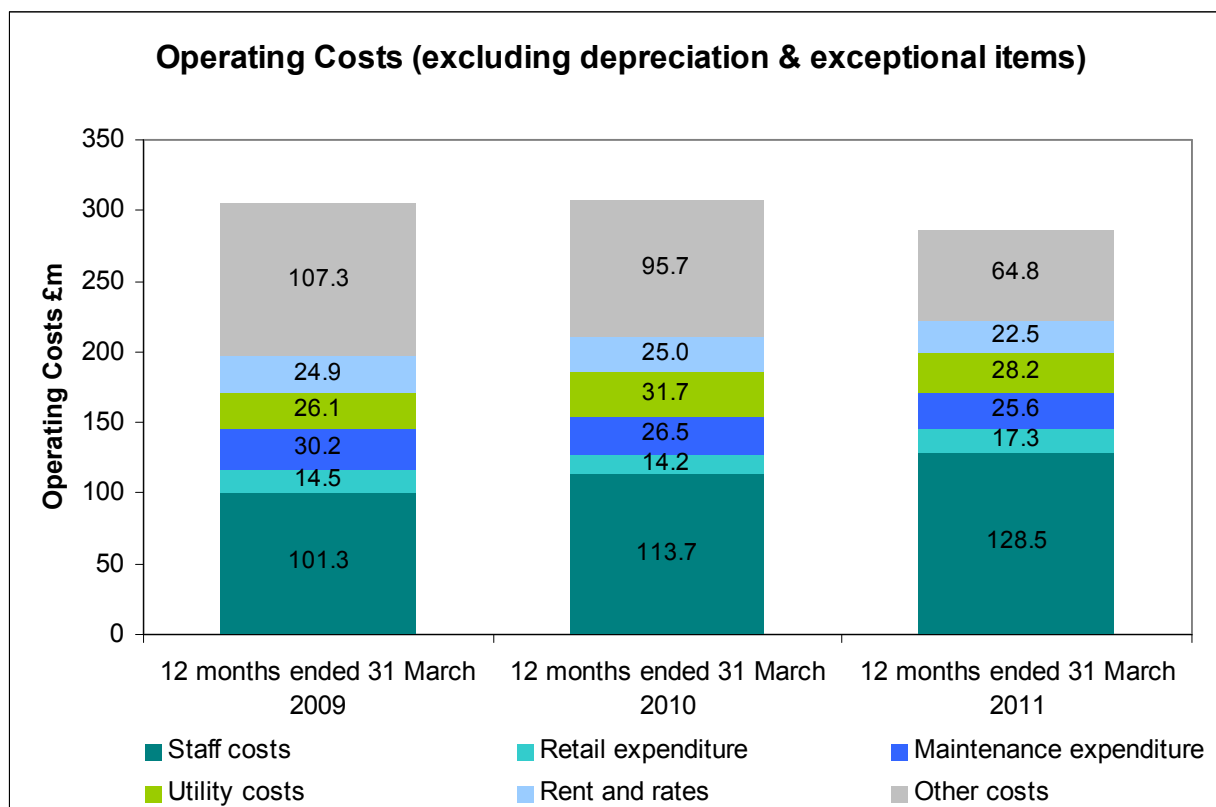
The new management have started a number of initiatives to increase non-aeronautical income, including: dedicating personnel to focus on day-to-day management of concessionaires; implementing dwell time modelling, to guide layout refinements and airline operational protocols; undertaking customer research and segmentation to guide longer term re-positioning of retail brands; refining the car park offering and market position; and appointing a new car park operator. A walk-through store for World Duty Free in the South Terminal, which is a new addition to the capital investment programme, is due for completion in summer 2012.

A predictable operating cost base

Gatwick has a relatively stable, and predictable, cost base. Most costs at Gatwick have a strong linkage to RPI and/or are contracted on a multi-year basis providing a good degree of certainty and/or visibility.

The current regulatory framework that Gatwick operates within limits exposure to unexpectedly high cost increases with the re-set of the basis of the price caps for five year periods. This provides good future visibility of revenues and cash flow and means that expectations for demand, income and expenditure are reviewed every five years taking into account actual experience. The inclusion of the "S-factor" (relating to significant changes in security costs as a result of changes in security protocols) in the Q5 regulatory settlement provides further assurance regarding the management of costs and Gatwick's operating margin.

The following chart shows the relatively stable operating costs at Gatwick over the last three years:



Source: Gatwick Management

Staff costs make up the majority of Gatwick's cost base. The increase of £14.8 million in GAL's staff costs to £128.5 million for the year ended 31 March 2011 is largely due to the transition to being a stand-alone company, the recruitment of contractors to assist the transition, and the ramp-up in the capital expenditure programme.

The majority of the staff costs incurred in relation to the capital programme separation of GAL's IT systems are offset by the subsequent capitalisation, which is included within other costs. Over the same period, there has been a reduction in intra-group charges from BAA, reflecting the cessation of support for Gatwick from the BAA corporate centre.

GAL recognises three trade unions who represent approximately 2,200 of its employees. Relationships with all three unions have historically been cordial with no instances of industrial action during the past 20 years. A two-year pay deal has been negotiated for non-managerial staff to cover the period from 1 April 2011 to 31 March 2013. The first year includes a pay increase of 5%, and the second an increase of RPI, subject to a minimum of 3% and maximum of 5%. These employees received on average an increase of 2% in the year ended 31 March 2011, and no increase in the year ended 31 March 2010. Senior managers received their first pay award in two years with a performance related basic pay increase (averaging 5%) from 1 April 2011.

The new management team have implemented a range of operational improvements, with innovative check-in and security processes being trialled and headcount in all major areas being reviewed and reduced where appropriate. The year ended 31 March 2011 saw improved attendance levels, with the rolling average days absenteeism per employee falling to 9.4 days from 11.7 days in the year ended 31 March 2010.

In addition, management has resized and reshaped the operational and management teams, reorganising security into defined teams with dedicated leaders, and has retendered/renegotiated various supply contracts.

Further details on the break-down of Gatwick's operating costs can be found in GAL's annual report and financial statements which are incorporated by reference into this Prospectus.

A deliverable Capital Expenditure Programme

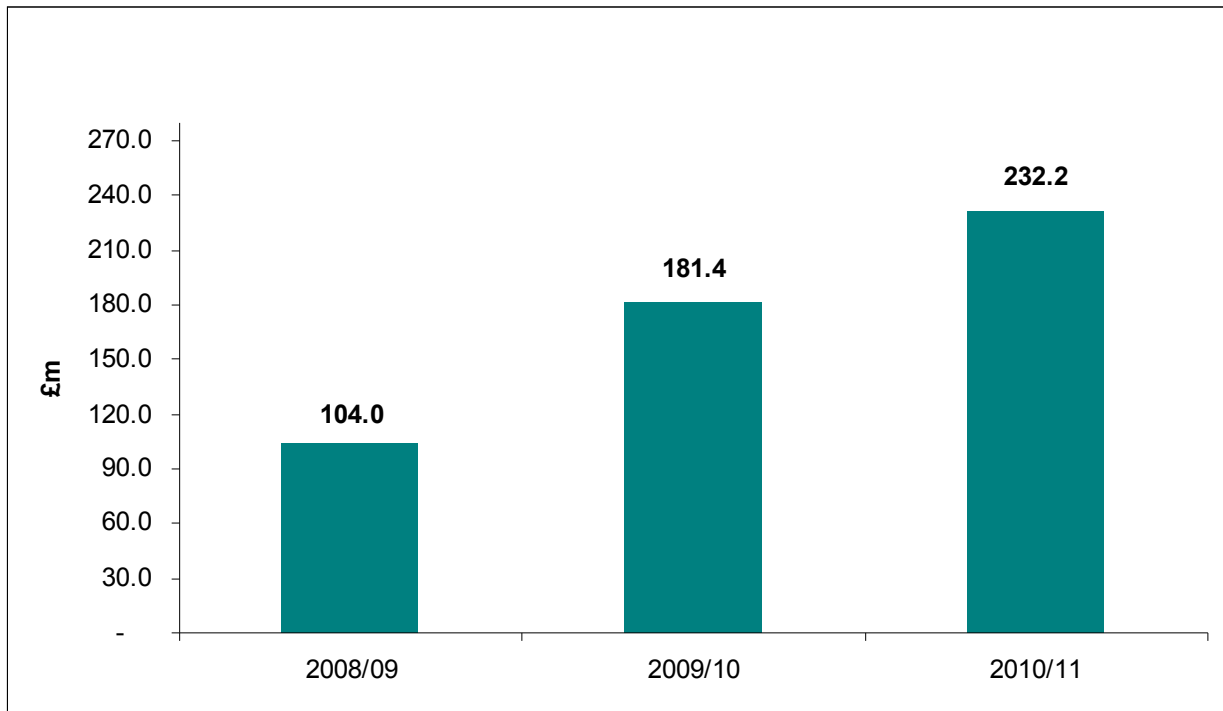
Since acquisition, the new management team has undertaken a major review of the capital expenditure programme and the capabilities of Gatwick to deliver it.

Gatwick has spent considerable effort to restructure the Programme Management Organisation for efficiency and improved delivery of projects. Gatwick's project team was restructured and placed under the leadership of an experienced airport projects director (who has now resigned from GAL to pursue another opportunity), with Bechtel being engaged to provide key technical support and secondees in programme management (scheduling, budgeting, risk management), procurement and sub-contractor management and quality assurance. More recently, following the resignation of the Development Director, the leadership of the development activities at the airport has been separated into two parts: the Project Development Director is now responsible for scoping out the investment requirement at the airport and consulting with airlines on these plans, before handing over to the Construction Director who is responsible for the execution of defined capital projects to scope, time and budget. Both the Project Development Director and Construction Director are members of the Executive Management Board and report to the Chief Executive.

As part of a change in the method of project delivery, new framework agreements have been put in place for contractors and consultants with greater emphasis on appropriate risk transfer. GAL's Q5 Capex programme comprises more than 130 projects (of which 35 are in excess of £5 million spend). This enables Gatwick to spread the risk of project delivery amongst different contractors and across timelines.

The chart below summarises the annual spend on the Q5 Capex programme, as published by GAL as part of its regular consultation process:

Q5 Capex



Source: Gatwick Management

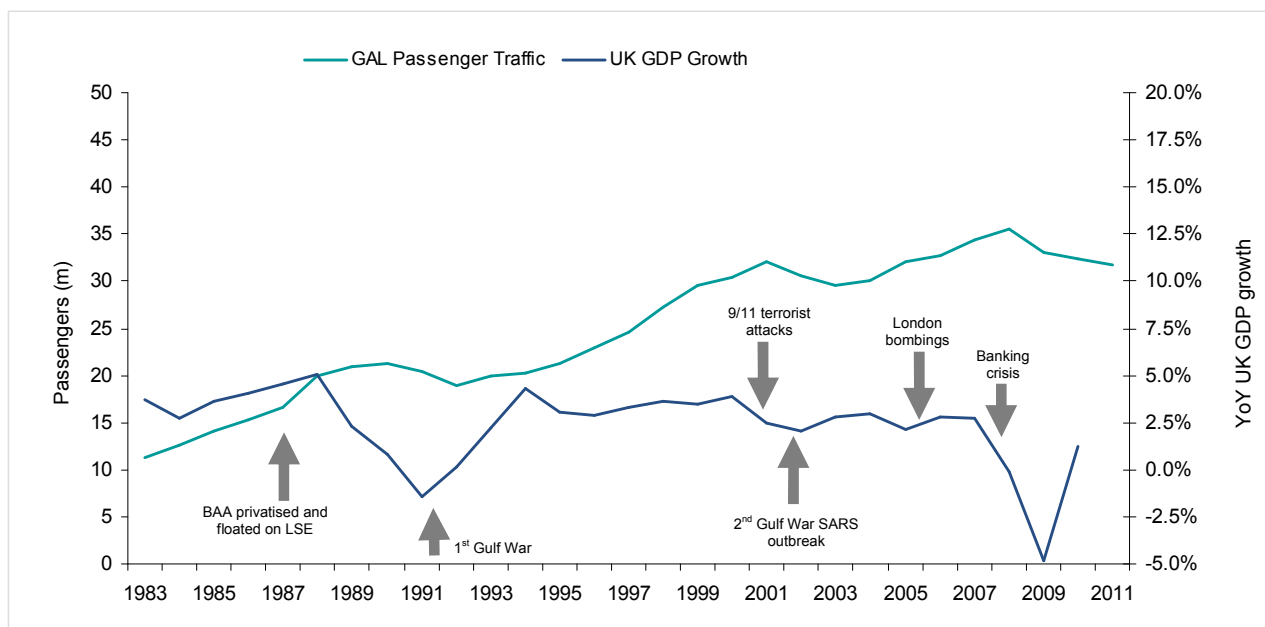
Following a major review of the original £985 million programme being pursued by Gatwick (covering the original five year period of Q5), a revised programme was put in place, with several projects significantly rescope, some new projects introduced, and others delivered differently. The programme was targeted to be delivered for around £925 million in the original five year period of Q5. This programme includes the introduction of the South Terminal Security Project to overhaul security efficiency and enhance airside retail, shelving the Pier 7 project in favour of phased extensions to Pier 5 and Pier 6 in Q5 and Q6, developing a new, simplified concept for Pier 1 / South Terminal Baggage and refining the plans for the South Terminal Forecourt to deliver equivalent functionality at much reduced cost. The new management team have devoted considerable time in consultation with the airlines on the revised programme and in seeking to agree a revised set of project triggers.

It was agreed as part of the extension to Q5 that the capital expenditure triggers relating to Pier 7 and South Terminal baggage will be removed for the year ending 31 March 2014 and that GAL and the airlines will replace these with new triggers, to be agreed and submitted to the CAA by June 2012, covering 60% of the forecast capital expenditure in the year ending 31 March 2014.

GAL has recently published for consultation with its airline customers a revised capital investment programme, which includes expenditure of £1,172.0 million for the now extended Q5 period. This amount includes approximately £250.0 million for additional projects which can now be undertaken given the extension year of Q5. A total of £630.9 million of this plan has been spent as at 30 September 2011. The total capital expenditure in Q5 to 30 September 2011 is £651.7 million, which includes the car parks acquired from Ivy Subco Limited as part of the initial refinancing that are not considered part of the capital expenditure programme.

Relative resilience to shocks and economic downturns

Through periods of UK GDP decline and exogenous events which have reduced the propensity to travel, Gatwick's performance has remained resilient. The chart below illustrates that over the last 30 years, demand for air travel at Gatwick has tended to return relatively quickly to historic levels following external shocks, suggesting a level of demand resilience.



Source: GAL passenger traffic: Gatwick Management; UK GDP growth 1982-2010: Office of National Statistics

Note: Passenger traffic data is as at 31 March of the year given; GDP data as at: 31 December

Factors which have had a significant impact on passenger traffic include the terrorist attacks on the United States in 2001 and their aftermath, the Gulf Wars and periods of economic recession. Other factors that have had a significant impact on passenger traffic at Gatwick in the last ten years include British Airways' decision to scale back their hub activities at Gatwick in 2002 (which particularly impacted transatlantic services), airline failures and the eruption of Eyjafjallajökull in Iceland in 2010.

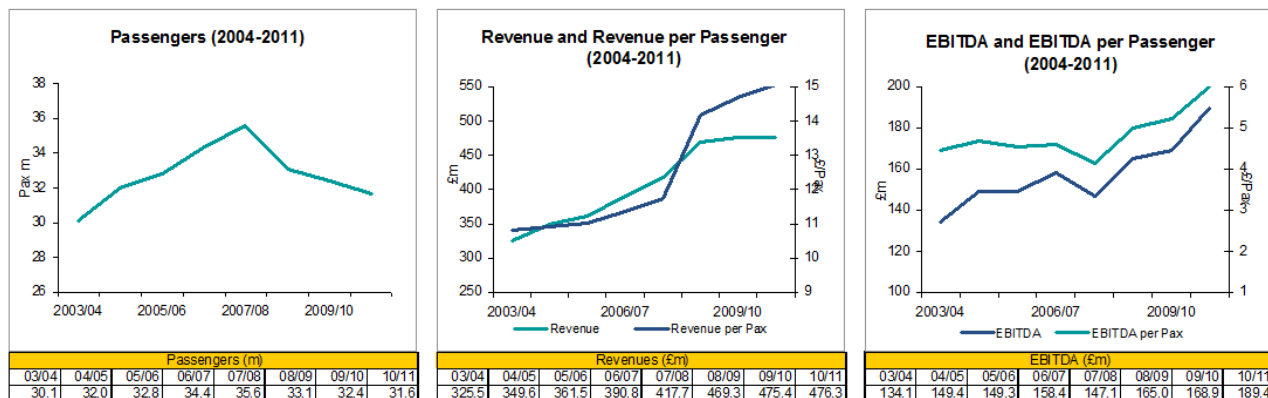
Historically, passenger traffic has been resilient through such events with the reduction peak to trough at most 10.8% and recovery to prior levels generally taking around 2 to 3 years. The current economic downturn has seen the most significant trough over the last 30 years with the drop from the peak totalling 11.1% and lasting three years. The last year of this current trough was impacted significantly by the intermittent closure of airspace in the three months to 30 June 2010 following the eruption of Eyjafjallajökull in Iceland. Gatwick has seen an 8.5% increase in passenger traffic in the six months ended 30 September 2011. Underlying traffic over this period was up 3.3% when adjusting for the one-off effect of the eruption of Eyjafjallajökull in Iceland.

The period between 1999 and 2011 has seen a significant shift in passenger mix with European scheduled traffic growing substantially and taking share from European charter carriers. Between 2004 and 2008, Gatwick saw consistent strong growth in passenger numbers primarily as a result of easyJet expanding its activities at Gatwick.

Recent financial performance

The charts below illustrate traffic, revenue and EBITDA performance over the last eight years. Whilst passenger numbers have decreased over the first three years of Q5, reversing the trend seen during the five

years of Q4, revenues and revenues per passenger have increased each year. This reflects both the terms of the Q5 regulatory settlement in relation to airport charges and that retail and car parking spend per passenger has held up well during recessionary periods as those passengers choosing to travel continue to use catering, car park and retail facilities. EBITDA has grown in each of the last three years.



Source: Gatwick Management

Regulatory regime

Gatwick is subject to price regulation by the CAA. The current regulatory system is designed to allow airports to generate revenues which are sufficient to finance their efficiently incurred operating and capital expenditure requirements and provide a regulated rate of return on their RAB.

Since April 2008, the UK Government has been considering the introduction of a new regulatory regime for airports. Its December 2009 Decision Document set out its proposals for the future economic regulation of airports.

On 23 November 2011, following extensive consultation, this process culminated in the Secretary of State publishing the draft Civil Aviation Bill 2011. The Draft Bill contains the Government’s proposals for the replacement of the existing system of economic regulation of airports with a more flexible framework.

The Draft Bill proposes a new general duty for the CAA to carry out its functions in a manner which furthers the interests of users of air transport services regarding the range, availability, continuity, cost and quality of airport operation services, where appropriate by doing so in a manner which will promote competition in the provision of airport operation services. In carrying out its general duty, the CAA will be required, among other things, to have regard to “the need to secure that a licence holder is able to finance its provision of airport operation services in the area for which the licence is granted”.

The licensing regime contemplated by the Draft Bill is intended to replace the system of designation under the Airports Act 1986. Under the provisions of the Draft Bill, the CAA will grant licences to airport operators which it determines to have substantial market power and where competition law would provide insufficient protection against the risk of an abuse of that power, provided that the benefits of intervention through licensing are likely to outweigh the adverse effects.

Where the CAA determines that a licence is required, the Draft Bill gives the CAA greater flexibility to align the regulatory requirements that it imposes with the market and competitive position at the relevant airport, concentrating more on service quality and performance incentives.

Where a licence is not required, the activities of airports and airport operators will remain subject to general competition law and the provisions of the Airport Charges Directive, which was implemented in the UK in November 2011 and which imposes requirements relating to, among other things, pricing transparency. Compliance with both competition law (following the enactment of the Draft Bill) and the Airport Charges Directive will be monitored by the CAA.

In relation to licence provisions designed to ensure financial resilience at licensed airports, the Draft Bill provides for derogations to be given for pre-existing financing arrangements. The CAA will be precluded from removing or amending these derogations without first determining: (i) that there has been a material change in circumstances since the derogation was granted; and (ii) the benefits of removing the derogation are likely to outweigh the costs to passengers.

The Draft Bill also provides for:

- an appeals process associated with the market power determination and wider licence granting and modification system; and
- concurrent competition powers for the CAA (with the OFT).

The UK Government has stated its intention to introduce the relevant legislation into Parliament in early 2012. If enacted, it is expected to come into force in 2013, with the first licences issued under the new regime at the expiry of the current price control period and following any necessary market power determinations. The CAA has also published a draft timetable for the main steps in the implementation of the new licensing regime. See "*Proposed Development of the Regulatory Framework – Review of Economic Regulation and draft Civil Aviation Bill 2011*" for further detail on the CAA's indicative timetable.

GAL has supported the UK Government's proposals regarding reform of the economic regulation of airports and welcomes the evolution of the regulatory architecture in the manner proposed in the Draft Bill. GAL has made the case to the CAA that Gatwick does not have substantial market power, either by reference to the current or (more particularly) the new market power tests, and therefore should not be required to have a licence under the new framework or be subject to continued price regulation.

If the CAA determines that Gatwick does have substantial market power, the proposed licensing framework permits the CAA to impose such regulatory provisions as will more closely reflect Gatwick's market and competitive position. In performing its regulatory duties under the Draft Bill the CAA is required to have regard to the need to secure that each holder of a licence is able to finance its provision of airport operation services.

For more information on the economic regulation of Gatwick, see "*Airport Regulation*".

An experienced new management team

GAL has put in place a strong new executive management team following the acquisition, which has delivered additional airport, operational, regulatory and financial expertise. Most of the existing operations management have been retained, ensuring continuity as the new strategic direction is pursued.

The new management team consists of world-class senior management, with experience gained at a wide range of airports and companies, including BAA, GE, Anglo American plc, Centrica plc, BA, National Express, Budapest Airport, Stansted Airport and London City Airport, backed up by GIP operating executives to assist in transition and with one-off projects. For further information on the new management team, including their CVs, please see "*Pensions and Employees – Executive Management*".

In the relatively short time that the executive management team has been in place, a number of improvements to the operation of Gatwick have been implemented and projects initiated as summarised in the sections above.

RELATED PARTY TRANSACTIONS

GAL has entered into, and may from time to time in the future enter into, transactions with certain affiliates of GAL and its shareholders. All such contracts are and will be negotiated on an arm's length basis and, where applicable, are subject to the requirements of EU legislation.

TRANSITIONAL SERVICES AGREEMENT

GAL was gradually separated from BAA over the 12 months leading up to December 2009. Following the sale, a number of services were still performed for GAL by BAA. In particular, GAL was reliant on BAA's information technology (**IT**) environment. These services and others were undertaken by BAA under the TSA entered into between GAL and BAA and BAA was paid for these services on an arm's length basis. The last remaining operational IT element of the TSA expired in October 2011 once GAL's IT systems separation had completed. From that point, GAL was no longer reliant on BAA.

INSURANCE

GAL's insurance department (supported by an insurance broker and claims handling agent) provides risk management, insurance and claims handling services to Gatwick, arranging both annual and multi-year insurance programmes. The programme is renewable annually on 31 March (save for the environmental insurance policy which expires in 2019 for pre-sale pre-existing conditions and in 2014 for new conditions), and includes the following insurance cover for GAL (all subject to relevant limits and deductibles):

- Property damage and business interruption insurance;
- Aviation and public liability insurance;
- Construction all risks insurance;
- Environmental insurance;
- Employers' liability insurance;
- Employment practices insurance;
- Directors' and Officers' insurance;
- Pension Trustee Liability insurance;
- Crime insurance;
- Motor and Personal Accident and Travel insurance; and
- Public Offering of Securities Insurance.

Insurance cover is provided by a combination of insurance market entities.

PENSIONS AND EMPLOYEES

Employees

In preparation for the change in ownership, GAL had a significant increase in employees resulting from separation from BAA and the migration of activities from the BAA group to GAL. This increased staff costs significantly, while intra-group charges from BAA were reduced as more roles were performed directly by GAL. As at 31 March 2011 GAL had 2,481 full-time equivalent employees compared to 2,269 as at 31 December 2008. While under BAA ownership, all employees engaged in the operation of Gatwick were employed by BAA Airports Limited and recharged to GAL. On 3 December 2009, all employees became directly employed by GAL pursuant to TUPE.

Pensions

Following the change in ownership, GAL's employees ceased to be eligible to remain as members of the BAA defined benefit pension scheme. On the date of sale, GAL established a new defined benefit plan (with benefits and contribution rates that replicated those of the BAA defined benefit pension scheme) for those employees who were previously members of the BAA defined benefit pension scheme. Employees were granted the option to transfer to the new scheme; 1,825 members transferred. A bulk transfer of the pension liabilities and the corresponding assets from the BAA defined benefit pension scheme to GAL's new plan was made on 1 June 2010. A commutation payment of £104.7 million was required to be made by GAL to the BAA defined benefit pension scheme to extinguish all GAL's liabilities and obligations under that scheme. This payment was also made on 1 June 2010.

GAL operates two pension schemes:

- a defined contribution scheme of which 405 employees are active members (as at 30th September 2011) into which all new employees are enrolled (and have been since 30th June 2008, the date on which the defined benefit scheme was closed by BAA); and
- a defined benefit plan of which 1,636 employees are active 137 deferred and 51 retired members (as at 30th September 2011). These employees were members (or eligible to become members) of the BAA pension scheme at the time of acquisition.

The defined benefit pension is based on final salary and pensionable service (accruing at rate of 1/54th per annum) and the pension may be taken from age 60 without abatement. Once in payment, pensions are linked to RPI up to a maximum of 5%

The current contribution rates are:

- employee 5% (6.0% for Fire Service employees); and
- employer 25.6%.

The first formal valuation of the plan as at 30 September 2010 has now been completed and GAL recorded a surplus on the defined benefit plan of £10.0 million, based on the following key assumptions:

| | |
|--------------------------------|---|
| Discount rate | 6.1% |
| Rate of RPI inflation | 3.5% |
| Rate of CPI inflation | 3.0% |
| Rate of increase in salary | 4.0% |
| Life expectancy (male aged 60) | 26.7 years (2010) increasing to 28.6 years (2030) |

The defined benefit plan's next valuation is due to be completed by 31 December 2013, in conjunction with which contributions to the plan may be revised.

For additional information, see "*Risk Factors - Other Risks - Pensions*".

Executive Management

The CVs of the Executive Management are as follows:

Stewart Wingate, Chief Executive Officer (CEO)

Stewart is the Chief Executive Officer (CEO). Stewart was with BAA from 2004 until September 2009, first as Customer Services Director of Glasgow Airport, then as Chief Executive Officer of Budapest Airport and most recently as Managing Director of Stansted Airport. He is a Chartered Engineer and a Fellow of the Institute of Engineering and Technology. Stewart has a Masters in Business Administration with distinction and a first-class honours degree in electrical and electronic engineering.

Nicholas James Dunn, Chief Financial Officer (CFO)

Nick was appointed CFO in April 2010. Nick joined from Anglo American plc where he was General Manager, Corporate Finance. Prior to that, he worked for six years with Centrica plc in a number of senior finance roles including as Director of Group M&A, Finance Director for Centrica Energy and Finance Director for British Gas Business. Nick has more than ten years experience in investment banking, with the majority of this time specialising in the transportation and energy sectors. He has advised governments and private investors on the financing of airports and air traffic control and has managed airport acquisition, IPO and financing transactions in the UK and internationally. Nick holds a BEng (1st Class Honours) in Electronic Engineering from the University of Southampton.

Kyran Hanks, Strategy and Regulation Director

Kyran was appointed as Strategy and Regulation Director in April 2010. Kyran has a long career in regulation and most recently held the post of Economics and Regulation Director for BAA for five years where he was in charge of BAA's CAA and Competition Commission investigations, including Select Committee testimonies on behalf of the company. Prior to BAA, Kyran had roles in the energy sector working for regulators and regulated companies, including three years working for Enron. Kyran has a degree in Commerce from the University of Birmingham.

Derek Hendry, Construction Director

Derek Hendry joins as Construction Director at the end of January 2012. Derek joins from Peel Ports where he was the Group Capital Projects Director since 2008 leading the development of the Port of Liverpool, Manchester Ship Canal, Medway Ports and Clydeport. Prior to this Derek led development projects for BAA at their Scottish airports delivering major projects such as terminal and pier expansions at Edinburgh and Glasgow airports and runway resurfacing at Edinburgh. He is a qualified Chartered Surveyor and has an MBA from the University of Strathclyde.

Robert Herga, General Counsel and Company Secretary

Robert was appointed General Counsel and Company Secretary in March 2010. Robert was General Counsel and Company Secretary at BAA until 2009 having spent 20 years in various roles within the legal department. Prior to that he had undertaken legal roles within British Steel and BT. Robert holds a LLB (Hons) from the University of Dundee, a MSC (Construction Law and Arbitration) from King's College London and is a Fellow of the Chartered Institute of Arbitrators.

Glenn Johnson, Programme Director

Glenn was appointed as Programme Director in January 2010, responsible for transition activities arising from the acquisition of Gatwick by GIP. He took on the additional role of Interim Chief Information Officer (CIO) following the departure of Stuart Birrell in 2011. Previously Glenn was an Operating Principal of GIP specialising in the application of technology and IT solutions in sales and marketing. Prior to joining GIP, Glenn spent nearly 30 years working for General Electric in a number of leadership roles which spanned the technology, marketing and sales disciplines. Glenn holds a Bachelor of Science in Mechanical Engineering from Penn State University.

Willie McGillivray, Product Development Director

Willie was appointed Product Development Director in December 2011. He has been at Gatwick since February 2006 and has performed a number of operational and development roles, most recently leading the 6 Sigma change team. Willie joined GAL from Kimberly-Clark Europe where he led the supply chain restructuring for the business to business division. Previously he worked in operations management with Coats Viyella and shipbuilding with GEC Marine. Willie has a degree in business economics and a MBA from Cranfield School of Management.

Tina Oakley, HR Director

Tina was appointed as HR Director in September 2010. She joined from P&O Ferries where she was HR director, having previously held the same role for food manufacturer, Hovis. Prior to that, Tina gained 26 years experience within the aviation industry while working for British Airways in a variety of operational, customer service, commercial and HR roles.

Scott Stanley, Chief Operating Officer (COO)

Scott was previously the Chief Operating Officer of London City Airport, where he was responsible for the day-to-day operations, including the implementation of the capital investment programme. He joined London City from GIP. His career embraces General Motors, General Electric, Honeywell and United Technologies. Career highlights include operations management for GE, supply chain restructuring in Europe for Honeywell, a new plant start-up in Mexico and China supply chain restructuring for United Technologies. He holds a BSc degree in engineering from Ohio State University.

Guy Stephenson, Commercial Director

Guy Stephenson was appointed as Commercial Director in November 2010. He was previously Commercial Director of the Coach Division at National Express Ltd, prior to which he spent five years with the TUI Group as Commercial Director of Thomsonfly. In these roles, he had responsibilities for pricing and revenue management, network and capacity planning, business analysis, product development and customer operations. He has also worked in investment banking, where he advised mainly governments and other public sector clients throughout Europe on airport and ATC privatisation and restructuring. Guy has a BA (Hons) degree from the University of Durham and an MBA with distinction from Imperial College London.

It should be noted that Stewart Wingate and Scott Stanley are employed by GIP and are seconded to GAL. There is no guarantee that any of the executive management team will remain employed by or seconded to GAL.

GAL are currently recruiting the roles of CIO and Director of Communications and External Affairs following departures of Stuart Birrell and Andrew McCallum in August and September 2011 respectively. Projects Director Raymond Melee left GAL in December 2011 and was replaced by Willie McGillivray and Derek Hendry who have taken the roles of Product Development Director and Construction Director respectively. Derek Hendry's appointment as Construction Director takes effect at the end of January 2012.

The Board of Directors

The CVs of the Board of Directors are as follows:

Sir David Rowlands, Non-Executive Chairman

Sir David Rowlands is chairman of the GAL Board. He retired in 2007 as Permanent Secretary at the Department for Transport. Sir David is currently non-executive chairman of rolling stock company, Angel Trains. He stepped down from chairman of High Speed Two in February 2010. Sir David is also a governor of Anglia Ruskin University and a member of the RAC Foundation's public policy committee.

Stewart Wingate, Chief Executive Officer (CEO)

See above.

Nicholas James Dunn, Chief Financial Officer (CFO)

See above.

Raphael Henry Arndt, Non-executive director

Raphael was appointed to the Board of Directors in March 2011. He has been Head of Infrastructure and Timberland at the Future Fund since 2007 with a particular focus on building and managing the Fund's investments in these areas. He joined from Hastings Funds Management where he was an Investment Director responsible for managing successful infrastructure and timberland portfolios as well as leading infrastructure and timberland transactions.

Raphael also has significant asset management experience in both sectors. Previously he was Director, Policy at the Australian Council for Infrastructure Development (AusCID) and completed a Ph.D at Melbourne University which addressed "Efficient Risk Allocation in the Private Provision of Infrastructure". Raphael has advised on infrastructure and capital works projects at the Victorian Department of Treasury and Finance.

Andrew Harvey Gillespie-Smith, Non-Executive Director

Andrew Gillespie-Smith joined Global Infrastructure Partners in 2008 and led the M&A team for GIP in acquiring Gatwick Airport. Prior to joining GIP, Andrew was a Managing Director of the Investment

Banking Department of Credit Suisse. He joined Credit Suisse in 1998 when BZW's corporate finance business was acquired by Credit Suisse.

Andrew has advised clients on a broad range of corporate finance transactions including mergers and acquisitions, debt and equity financings. These transactions spanned the airport, airline and related businesses, air traffic control, shipping, coal and power generation sectors across Australasia, Europe, Asia and the Americas. Prior to joining BZW, he qualified as a corporate lawyer at the London-based law firm Herbert Smith.

James Douglas Adrianus Van Hoften, Non-Executive Director

James van Hoften is a former senior vice president and partner of the Bechtel Corporation. He was managing director of the global airport design and construction business and was responsible for airport developments in the Middle East, Japan, and North and South America. In the early 1990s, he was the programme manager of the \$23 billion Hong Kong Airport Core Programme including the new Hong Kong Airport. Previously, Dr van Hoften spent eight years as a NASA astronaut including two flights on the space shuttle and four space walks.

Dr van Hoften is a director of FlexLNG in London and is on the Board of Trustees of the University of California, Berkeley. He currently lives near San Francisco, California.

Andrzej Tadeusz Jurenko, Non-Executive Director

Andrew Jurenko advised on the Gatwick acquisition and is a consultant to a number of property businesses. He was a member of BAA plc's executive committee, as managing director of BAA International, where he led the acquisition of Budapest Airport. Andrew's international experience also includes serving as CEO of Australia Pacific Airports Corporation Limited (APAC), as interim CEO of Melbourne Airport following its successful acquisition and as managing director of BAA Pacific Ltd in Hong Kong.

In the UK Andrew was also the managing director of BAA's World Duty Free direct retailing arm, co-chairman of BAA's non-airport retail joint venture, McArthur Glen, and managing director and then chairman of the commercial property company, BAA Lynton.

Christopher Robert Koski, Non-Executive Director

Chris Koski is the Global Head of Infrastructure for the Abu Dhabi Investment Authority (ADIA). Prior to joining ADIA in 2007, Chris was a senior member of the infrastructure and private investment teams at the Canada Pension Plan Investment Board. Chris worked previously in investment banking at RBC Capital Markets and in investment management at the Toronto Dominion Bank. Chris graduated with high honours from the MBA program at the University of Chicago and is a Chartered Financial Analyst.

Michael John McGhee, Non-Executive Director

Michael McGhee is a transport partner of GIP and is based in London. He was a managing director of the Investment Banking Department of Credit Suisse and has been head of the Global Transportation and Logistics Group since 1998. Previously he was head of BZW's Global Transportation Group, since founding it in July 1990, and has advised governments on several privatisations in the transport sector globally.

Sir Robert William Roy McNulty, Non-executive director

Sir Roy was appointed to the Board of Directors in March 2011. In February 2010 he was appointed by the former Secretary of State as Chairman to lead a special Rail Value for Money Study. Sir Roy was previously Chairman of the UK Civil Aviation Authority (CAA), the specialist aviation regulator, a post he held for

eight years. Prior to this he was Chairman of National Air Traffic Services Limited (NATS) from May 1999 to July 2001.

From 1988 to 1999 he was Chief Executive and latterly Chairman of Short Brothers plc, the Belfast-based aerospace company now part of Bombardier Inc. Previous posts include being President of the Society of British Aerospace Companies and Chairman of the former Department of Trade and Industry Aviation Committee. Sir Roy was appointed as Chairman of Advantage West Midlands in May 2009 and is also Deputy Chairman of the Board of the Olympic Delivery Authority, Chairman of the Ilex Urban Regeneration Company in Northern Ireland, and a non-executive director of Norbrook Laboratories Limited.

William Alan Woodburn, Non-Executive Director

Bill Woodburn is the operating partner of GIP and is based in New York City and Stamford, Connecticut. Before joining GIP, he was the president and CEO of GE Infrastructure and previously president and CEO of GE Specialty Materials.

Prior to this, Bill was executive vice president and a member of the Office of the CEO at GE Capital, with oversight responsibilities for GE Capital Equipment Management businesses, including Americom, Fleet Service, Rail Services, TIP & Modular Space and Penske Truck Leasing. He served on the GE Capital Board in 2000 and 2001 and oversaw GE Capital India, GE Capital Global Sourcing, GE Capital Container Finance and GE SeaCo JV.

The business address of each member of the Executive Management and the Board of Directors of GAL is Gatwick Airport Limited, 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex, RH6 0NP.

None of the Executive Management has any actual or potential conflict between their duties to the Borrower and their private interests or other duties as listed above.

None of the directors of the Borrower has any actual or potential conflict between their duties to the Borrower and their private interests or other duties as listed above.

All information contained in this Prospectus in respect of total traffic growth at UK airports has been reproduced from information published by the Department of Transport in its paper entitled "DfT 2010 paper: UK Aviation Forecasts August 2011". All information contained in this Prospectus in respect of UK airport passenger volumes has been reproduced from information published by the CAA and the Department of Transport. All information contained in this Prospectus in respect of the 2010 mid-year population estimates has been reproduced from information published by the UK Office for National Statistics dated as of 30 June 2011. All information contained in this Prospectus in respect of Gatwick's passenger demographic has been reproduced from information published by the CAA in its Passenger Survey Report 2010. All information contained in this Prospectus in respect of the UK GDP growth for the years 1982 to 2011 has been reproduced from information published by the Office of National Statistics. The Issuer confirms that all information in this Prospectus in respect of total traffic growth at UK airports, UK airport passenger volumes, 2010 mid-year population estimates, Gatwick's passenger demographic and UK GDP growth for the years 1982 to 2011 has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by each of the Department for Transport, CAA and the UK Office for National Statistics (as the case may be), no facts have been omitted which would render this reproduced information inaccurate or misleading.

Note, however, that the Issuer has not participated in the preparation of that information nor made any enquiry with respect to that information. None of the Issuer, Department for Transport, CAA and UK Office for National Statistics makes any representation as to the accuracy of the information or has any liability whatsoever to the Bondholders in connection with that information. Anyone relying on the information does so at their own risk.

FINANCIAL INFORMATION AND RESULTS OF OPERATIONS

The audited financial statements of GAL for the last two financial periods, together with the unaudited interim financial statements for the six months ended 30 September 2011 and 30 September 2010, are incorporated by reference into this Prospectus. The commentary in this section should be read in conjunction with those financial statements.

RESULTS FROM OPERATIONS

Passenger traffic trends

| | Six months ended 30 September 2011 | Six months ended 30 September 2010 | 12 months ended 31 March 2011 | 12 months ended 31 March 2010 |
|-------------------------------|---|---------------------------------------|----------------------------------|----------------------------------|
| Passengers | 19,702,000 | 18,165,000 | 31,647,000 | 32,397,000 |
| Air transport movements (ATM) | 135,650 | 128,392 | 235,738 | 244,473 |
| Passengers per ATM | 145.2 | 141.5 | 134.2 | 132.5 |
| Average load factor (%) | 83.7 | 82.0 | 78.7 | 78.0 |

For the 12 months ended 31 March 2011

A total of 31.6 million passengers travelled through Gatwick in the year ended 31 March 2011 (31 March 2010: 32.4 million). The decrease of 0.8 million passengers or 2.3% year-on-year is attributable to a number of factors, the most significant being the intermittent closure of airspace in the three months to 30 June 2010 following the eruption of Eyjafjallajökull in Iceland. In April, airspace above Gatwick was closed for approximately six days and an estimated 600,000 passengers did not travel.

Gatwick's passenger traffic in April and May was also impacted by subsequent closures of airspace elsewhere in Europe with airlines being forced to cancel flights. In addition, while industrial action at British Airways in June 2010 did not result in cancellations at Gatwick, British Airways' load factors were lower throughout the summer potentially reflecting traveller sentiments. Other factors affecting summer traffic included operational issues across easyJet's network, continental European air traffic control strikes and the collapse of Kiss and other tour operators during the late summer. As a result of these factors, an estimated 300,000 passengers did not travel. A total of 18.2 million passengers travelled through Gatwick in the six months ended 30 September 2010, a year-on-year reduction of 1.0 million passengers (six months ended 30 September 2009: 19.1 million).

During the winter season Gatwick experienced disruption because of heavy snowfall across the UK in November and December. This was countered by a milder January compared to the prior year when the airport was severely disrupted by heavy snowfall. In the six months ended 31 March 2011, a total of 13.5 million passengers travelled through Gatwick, a year-on-year increase of 0.2 million passengers (six months ended 31 March 2010: 13.3 million).

Passengers in Gatwick's biggest market, European scheduled, grew 0.4% during the year (31 March 2010: 7.8%), despite all the disruption detailed above. It now represents 49.4% of total traffic at Gatwick (31 March 2010: 48.0%). European charter and UK traffic declined 7.4% and 3.8% respectively, with these impacts lessened by the growth of 1.5% in other long haul traffic.

Air Transport Movements (**ATMs**) fell 3.6% to 235,738 (2010: 244,473) during the year with capacity rationalised by airlines in scheduling the summer season. Passengers per ATM increased by 1.3% with load factors over the year increasing to an average of 78.7% (2010: 78.0%). Gatwick experienced its highest ever load factors in August 2010 when on average 87.0% of seats were filled.

For the six months ended 30 September 2011

During the six months ended 30 September 2011, a total of 19.7 million (six months ended 30 September 2010: 18.2 million) passengers travelled through Gatwick, an increase of 1.5 million or 8.5%. Adjusting for prior period events as a result of which approximately 900,000 passengers did not travel (discussed below), underlying traffic growth is estimated as 3.3%.

There were a number of factors that affected passenger numbers in the prior period, most notably the disruption caused by the eruption of Eyjafjallajökull in Iceland. An estimated 600,000 passengers did not travel in April 2010, and passenger numbers in May and June 2010 were impacted by sporadic closures to airspace above Gatwick and elsewhere in the UK and Europe. The impact of the eruption of Grimsvötn in Iceland in May 2011 was less significant, with disruption limited to airports in Northern parts of the UK. The prior period was also affected by industrial action at British Airways, operational issues across easyJet's network, and continental European air traffic control strikes. No such significant factors affecting traveller sentiments were noted in the six months ending 30 September 2011.

Passenger numbers in April 2011 were increased as travellers took advantage of the closeness of the Easter holiday weekend, the additional holiday to mark the royal wedding and the early May bank holiday. Low cost carriers in Gatwick's largest market, European scheduled, have made the most significant contribution towards the period-on-period increase.

Total ATMs were higher than the prior period, with the factors noted above having the most significant impact. Passengers per ATM increased with higher load factors being seen over the summer period. Gatwick's highest ever load factors were experienced in August 2011 when on average 88.4% (August 2010: 87.0%) of seats were filled. Gatwick has also seen an increase in average seat capacity in the six months ending 30 September 2011 with, on average, 173.6 seats per ATM (six months ended 30 September 2010: 172.5). This increase has resulted from a growing trend towards larger aircraft being used by airlines operating at Gatwick.

FINANCIAL REVIEW

GAL changed its year end from 31 December to 31 March during the 15 months ended 31 March 2010. The move aligned GAL's financial and regulatory year ends. As a result, the financial statements of GAL were prepared for the 15 months period ended 31 March 2010.

To provide a more meaningful review of the business, the financial review compares the 12 months ended 31 March 2011 with the 12 months ended 31 March 2010, as well as the six months ended 30 September 2011 with the six months ended 30 September 2010. The 12 month period ended 31 March 2010 has been taken from the financial statements for the 15 months ended 31 March 2010.

Turnover

| | Six months ended 30 September 2011 (unaudited) | Six months ended 30 September 2010 (unaudited) | 12 months ended 31 March 2011 (audited) | 12 months ended 31 March 2010 (unaudited) |
|--|---|---|---|---|
| | £m | £m | £m | £m |
| Aeronautical income | 178.5 | 144.5 | 244.3 | 244.1 |
| Retail income | 67.7 | 64.7 | 115.6 | 115.0 |
| Car parking income | 32.9 | 30.4 | 51.7 | 50.4 |
| Operational facilities and utilities income | 13.1 | 12.4 | 22.2 | 23.0 |
| Property rental income | 12.8 | 13.5 | 26.9 | 26.7 |
| Other income | 9.5 | 8.4 | 15.6 | 16.2 |
| Total turnover | 314.5 | 273.9 | 476.3 | 475.4 |

For the 12 months ended 31 March 2011

In the 12 months ended 31 March 2011, GAL's turnover was impacted by the traffic downsides discussed in passenger traffic trends above, which affect aeronautical, retail and car parking income.

For the six months ended 30 September 2011

The increase in turnover for the six months ended 30 September 2011 was largely the result of the period-on-period traffic growth discussed in passenger traffic trends above and the implementation of a revised airport charges tariff. Growth in passenger traffic affects aeronautical, retail and car parking income.

Aeronautical income

Aeronautical income is driven by both passenger traffic and the level of airport charges. Airport charges are determined by reference to the CAA's regulatory formula which sets the opening aeronautical yield (aeronautical income per passenger) and the maximum growth in the aeronautical yield for Gatwick for Q5 at RPI+2.0% per annum. The structure of airport charges is set annually by Gatwick within the overall regulatory constraints as to aeronautical yield.

For the 12 months ended 31 March 2011

The allowable aeronautical yield increased by 1.9% in 2011 to £7.508 (2010: £7.368). The actual aeronautical yield for 2011 (which also includes £4.8 million (2010: £4.6 million) of non-regulated income) increased by 2.6% to £7.731 (2010: £7.534). This represents an over-recovery in regulated charges of approximately £1.8 million and is attributable to the change in the seasonality and mix of passengers in the year, and lower than expected remote stand and pier coaching rebates. The over-recovery will result in a downward adjustment to the allowable aeronautical yield in the year ending 31 March 2013.

Total aeronautical income is flat year-on-year with the 2.6% increase in the actual aeronautical yield largely offset by the 2.3% reduction in passengers.

For the six months ended 30 September 2011

For the year ending 31 March 2012, the structure of landing charges has been amended, with landing charges eliminated in the winter (November to March inclusive) and commensurately uplifted in the summer (April to October inclusive). In addition, all the increase in the allowable aeronautical yield has been achieved through increases in summer landing charges, with passenger and parking charges left unaltered. As a result, summer landing charges have increased by 62.5%.

The allowable aeronautical yield increased by 5.8% to £7.946 for year ending 31 March 2012 (year ending 31 March 2011: £7.508). The actual aeronautical yield for the six months ended 30 September 2011 was £9.060 (six months ended 30 September 2010: £7.955), which included a total of £3.2 million of non-regulated income (six months ended 30 September 2010: £2.4 million). This apparent over-recovery (and the increase over the same period last year) is largely due to the introduction of seasonal landing charges in the year ending 31 March 2012. Any over- or under-recovery that arises for the 12 months ending 31 March 2012 will be an adjustment to the allowable aeronautical yield in the year ending 31 March 2014.

The increase in aeronautical income for the six months to 30 September 2011 of £34.0 million or 23.5% is driven largely by the weighting of landing charges to the summer period (estimated at £14.0 million), the 8.5% period-on-period increase in passengers and the £0.438 or 5.8% increase in the allowable aeronautical yield.

Retail income

Net retail income per passenger is calculated as follows:

| | Six months ended 30 September 2011 (unaudited) | Six months ended 30 September 2010 (unaudited) | 12 months ended 31 March 2011 (audited) | 12 months ended 31 March 2010 (unaudited) |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Duty and tax-free, and specialist shops | 35.0 | 33.0 | 58.9 | 58.0 |
| Catering | 10.3 | 10.0 | 17.1 | 17.7 |
| Other in-terminal retail | 20.5 | 19.9 | 36.5 | 36.3 |
| Other off-terminal retail | 1.9 | 1.8 | 3.1 | 3.0 |
| | 67.7 | 64.7 | 115.6 | 115.0 |
| Less: retail expenditure | (0.3) | (0.5) | (1.1) | (0.5) |
| Net retail income | 67.4 | 64.2 | 114.5 | 114.5 |
| Passengers (m) | 19.7 | 18.2 | 31.6 | 32.4 |
| Net retail income per passenger | £3.42 | £3.53 | £3.62 | £3.53 |

For the 12 months ended 31 March 2011

Net retail income per passenger increased by £0.09, continuing airside income growth. Retail income initiatives implemented during the year have been offset by the adverse impact of the South Terminal security project which resulted in the removal of a significant amount of retail space in the second half of 2011.

For the six months ended 30 September 2011

In the six months ended 30 September 2011, net retail income increased by 5.0% period-on-period. Despite increased income across all retail categories, retail income has not grown in line with the 8.5% increase in passenger numbers. On a per passenger basis, net retail income per passenger fell by 3.2% compared to the same period in 2010. Changes in the mix of passengers travelling through the North Terminal compared against the six months ended 30 September 2010 affected duty and tax free income on a per passenger basis. Other in-terminal retail income per passenger was also down period-on-period, owing mostly to weakness in the books market and the impact of construction projects on retailers and passenger flow.

Car parking income

Net car parking income per passenger is calculated as follows:

| | Six months ended 30 September 2011 (unaudited) | Six months ended 30 September 2010 (unaudited) | 12 months ended 31 March 2011 (audited) | 12 months ended 31 March 2010 (unaudited) |
|--------------------------------------|---|---|---|---|
| | £m | £m | £m | £m |
| Car parking income | 32.9 | 30.4 | 51.7 | 50.4 |
| Less: car parking expenditure | (7.5) | (8.3) | (16.2) | (13.7) |
| Net car parking income | 25.4 | 22.1 | 35.5 | 36.7 |
| Passengers (m) | 19.7 | 18.2 | 31.6 | 32.4 |
| Net car parking income per passenger | £1.29 | £1.22 | £1.12 | £1.13 |

For the 12 months ended 31 March 2011

Net car parking income per passenger decreased marginally year-on-year. While increases in price in some car parking products were introduced, competitive pressures in the market place are strong and overall yields and acquisition costs reflect this.

Car parking expenditure has increased because 2011 is the first full year to include costs of running the car parks standalone from BAA. Previously, when under BAA ownership, certain car parking management costs were incurred in intra-group charges (refer below for further detail). During the year, GAL successfully launched a new car park booking engine, severing its reliance on BAA's legacy system, and appointed a single car park operator to managed the day-to-day running of the car park assets to reduce operating costs over the contract life.

For the six months ended 30 September 2011

In the six months ended 30 September 2011, car parking income increased by 8.2%, broadly in line with the increase in passenger traffic over the same period. Car parking costs were 9.6% lower than in the prior period due to operating efficiencies and one-off costs in the prior period to consolidate the car parking contract with a single supplier. The lower costs have resulted in a 5.7% increase in net car parking income per passenger.

OTHER INCOME CATEGORIES

For the 12 months ended 31 March 2011

Other income categories (i.e. excluding aeronautical, retail or car parking) decreased by 1.8% to £64.7 million in 2011 (2010: £65.9 million). This decrease was largely due to GAL earning no intra-group income following the separation from BAA. Check-in and baggage income was also lower due to the reduction in passengers. These factors are partly offset by an increase in utilities income resulting from higher consumption across the airport, and by an increase in income from car park passes arising from a higher tariff.

For the six months ended 30 September 2011

For the six months ended 30 September 2011, income from other areas increased by 3.2% to £35.4 million (six months ended 30 September 2010: £34.3 million). The increase was driven largely by increased income from car park and identity passes with more contractors and staff working at Gatwick. Decreases in property income have been offset by increases in check-in and baggage income.

Operating costs – ordinary

| | Six months ended 30 September 2011 (unaudited) | Six months ended 30 September 2010 (unaudited) | 12 months ended 31 March 2011 (audited) | 12 months ended 31 March 2010 (unaudited) |
|--|---|---|---|---|
| | £m | £m | £m | £m |
| Staff costs | 68.9 | 62.7 | 128.5 | 113.7 |
| Retail expenditure | 0.3 | 0.5 | 1.1 | 0.5 |
| Car parking expenditure | 7.5 | 8.3 | 16.2 | 13.7 |
| Maintenance expenditure | 18.4 | 12.2 | 25.6 | 26.5 |
| Utility costs | 14.0 | 14.4 | 28.2 | 31.7 |
| Rent and rates | 13.6 | 11.8 | 22.5 | 25.0 |
| General expenses | 27.4 | 41.7 | 64.8 | 72.3 |
| Depreciation | 43.6 | 36.1 | 76.5 | 72.5 |
| BAA intra-group charges | - | - | - | 23.1 |
| Loss on disposal of tangible fixed assets | - | - | - | 0.3 |
| Total operating costs – ordinary | 193.7 | 187.7 | 363.4 | 379.3 |

For the 12 months ended 31 March 2011

The increase in staff costs by £14.8 million during the first full year of new ownership has been driven by greater staff numbers and by higher pension costs. Wages and salaries costs have increased, due to greater staff numbers, as GAL continued to separate from BAA and develop the standalone capability to perform functions that had previously been undertaken centrally by BAA. An additional £7.8 million was incurred on contract and agency costs associated with separation activities. The majority of IT separation staff costs are

offset by the subsequent capitalisation of these costs appearing in general expenses. The capitalisation of staff costs increased by £9.6 million during 2011 to £16.9 million (2010: £7.3 million).

The pension charge for employees in GAL's defined benefit pension plan (the Gatwick Airport Pension Plan) (the **Plan**) increased by £7.2 million in the year, reflecting the latest actuarial assumptions and the first full year of costs for employees on the Plan. GAL's defined contribution pension charge has also increased, although not as significantly, with all new employees being eligible for this scheme.

Overall, average full-time equivalent (FTE) employee numbers have increased from 2,428 in 2010 to 2,481 in 2011. Average operational FTE employees fell from 2,141 to 2,101 during the year, whereas non-operational FTE employees increased from 287 to 380. The reduction in operational employees is offset by the higher cost of non-operational staff undertaking the separation and IT project functions.

The depreciation charge increased as a result of significant fixed asset additions in the year as the Q5 capital investment programme continued.

Maintenance costs have decreased by approximately £5.0 million in 2011 due to efficiency savings and deferring spend to later in Q5 in line with the latest capital plan. This reduction has been offset by a £3.1 million increase in IT spend as GAL now incurs the costs of a stand-alone IT function. The cost of equivalent support provided by BAA would have been incurred through intra-group charges.

Utilities costs have decreased largely due to the recognition of a £1.9 million onerous contract provision in 2010 relating to the supply of electricity from Gaz de France, which has been partially utilised during 2011.

Rent and rates are lower due to the positive settlement of a rates review of prior years' charges of £1.2 million, which offsets the increase in GAL's rateable value as it continues its capital investment programme.

Following the change in ownership, GAL now no longer incurs intra-group charges from BAA. The costs previously charged by BAA are now incurred directly by GAL, particularly in staff costs (discussed above), and under a TSA. The last remaining service performed by BAA following the change in ownership was in relation to GAL's IT environment. This terminated in October 2011.

TSA charges of £14.4 million were incurred in 2011 (2010: £7.0 million) and are included within general expenses.

The decrease in general expenses of £7.5 million reflects the decrease in some expenses, offset by certain others. The significant driving factor in the decrease is the credit for staff capitalisation which has increased by £9.6 million due to a greater involvement by GAL's staff on aspects of the capital investment programme, largely in IT.

Due to GAL having a largely fixed cost base, over the short term, no significant cost savings were made in relation to the periods where UK airspace was closed due to volcanic ash. However, the closure allowed GAL to undertake activities such as training and airfield maintenance, which would not have been possible in a normal operational environment, thereby making most efficient use of this time and reducing operational impacts later in the year.

For the six months ended 30 September 2011

Staff costs increased £6.2 million or 9.9% period-on-period in the six months ended 30 September 2011, largely reflecting greater staff numbers working on the capital expenditure programme. Average FTE employee numbers fell from 2,511 in the six months ended 30 September 2010 to 2,414 in the six months ended 30 September 2011, reflecting reductions in operational areas. The majority of the increase in staff costs attributable to the capital expenditure programme is offset by the subsequent capitalisation of these

costs, which appears as part of general expenses. Overall, total staff capitalisation was £10.3 million in the six months ended 30 September 2011 (six months ended 30 September 2010: £5.8 million).

Depreciation is higher in the six months ended 30 September 2011 due to the number of projects from the Q5 capital expenditure programme that have been completed in the last year.

Maintenance and IT expenditure has increased largely due to GAL now directly incurring IT expenditure following separation from BAA. In the prior period, significant elements of GAL's IT infrastructure were being provided by BAA under a TSA, the costs of which were included in general expenses.

Rent and rates are higher due to the increase in GAL's rateable value as it continues its capital investment programme. The prior period benefited from the positive settlement of a rates review of prior years' charges of £1.2 million.

The decrease in general expenses reflects the decrease in some expenses, offset by certain others. A significant factor is the reduction in TSA costs by £7.1 million to £2.0 million in the six months ended 30 September 2011 (six months ended 30 September 2010: £9.1 million) as GAL incurs more costs directly as the separation from BAA continued. Also, there was an increase in staff costs capitalised of £4.5 million due to the greater staff numbers working on the capital expenditure programme. The decrease in professional consultants costs of £2.3 million is largely due to the prior period including the costs of consultants working on the separation of GAL from BAA.

OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS

For the 12 months ended 31 March 2011

Operating profit before exceptional items increased by £16.6 million to £112.9 million in for the 12 months ended 31 March 2011 (12 months ended 31 March 2010: £96.3 million). Turnover was flat year-on-year with the reduction in passengers offsetting the higher aeronautical yield and the increase in retail income per passenger. The cost increases associated with the separation from BAA have been lower than the intra-group charges previously incurred from BAA. Refer to the sections above for further details on these and other movements within turnover and 'operating costs – ordinary'.

For the six months ended 30 September 2011

Operating profit before exceptional items increased by £34.6 million to £120.8 million in the six months to 30 September 2011 (six months ended 30 September 2010: £86.2 million). The reasons for this increase are discussed in the relevant sections above.

OPERATING COSTS – EXCEPTIONAL

| | Six months ended 30 September 2011 (unaudited) | Six months ended 30 September 2010 (unaudited) | 12 months ended 31 March 2011 (audited) | 12 months ended 31 March 2010 (unaudited) |
|--|---|---|---|---|
| | £m | £m | £m | £m |
| Pension costs | - | 2.4 | 2.4 | 111.0 |
| Reorganisation costs/(credit) | 0.3 | 0.5 | 2.1 | 2.0 |
| Depreciation | 1.9 | - | 3.1 | 5.2 |
| Other costs | - | 0.5 | 0.2 | 7.0 |
| Impairment of tangible fixed assets | - | - | 9.2 | - |
| Total operating costs – exceptional | 2.2 | 3.4 | 17.0 | 125.2 |

For the 12 months ended 31 March 2011

During the year ended 31 March 2011 the BAA pension trustees made a bulk transfer of assets and liabilities from the BAA pension scheme to GAL's defined benefit pension plan. Based on actuarial assumptions prescribed in the sale and purchase agreement (governing the sale of GAL), there was a £2.4 million shortfall in the assets transferred on 1 June 2010, and this cost was recognised by GAL. In accordance with the sale and purchase agreement, monies held in escrow for the benefit of BAA were used to fund the shortfall.

The prior period includes a cost of £1.3 million for the initial recognition of a new GAL defined benefit pension scheme deficit and the recognition of an £104.7 million pension commutation payment required to extinguish all GAL's liabilities under its previous participation in the BAA defined benefit pension scheme in accordance with the sale and purchase agreement (governing the sale of GAL). It also includes a net £5.0 million charge for the write-off of a pension balances relating to GAL's previous defined benefit scheme. Under the SSA GAL operated under while owned by BAA, GAL had a legal obligation to fund its relevant share of any BAA Airports Limited pension deficit. The £5.0 million charge includes the recognition of a £54.6 million liability for pension deficits in accordance with the SSA, the credit back total deficits recognised of £61.1 million, and the write-off of £11.5 million other BAA pension scheme related balances. In GAL's financial statements for the 15 months to 31 March 2010, these deficits, and all other BAA pension scheme balances, were credited back or written-off following the sale of GAL to Ivy Bidco Limited on 3 December 2010.

Costs associated with GAL's restructuring programme following the change in ownership totalled £2.1 million. Costs associated with GAL's restructuring programme following the change in ownership totalled £3.3 million in the 12 months ended 31 March 2010. Also included in the 12 months ended 31 March 2010 is a credit of £1.3 million for previously recognised provisions that are no longer required.

Exceptional depreciation of £3.1 million represents an additional charge incurred as a result of shortening the useful life of the assets associated with the South Terminal security project. The charge of £5.2 million in the 12 months ended 31 March 2010 related to shortening the useful life of the Inter Terminal Transit Service in readiness for its disposal.

GAL incurred other costs totalling £0.2 million (12 months ended 31 March 2010: £7.0 million) to effect the separation from BAA. The majority of these relate to employees required to perform one-off activities in roles that will not continue in GAL. The associated costs are therefore treated as exceptional in nature.

During 2011 GAL impaired tangible fixed assets by £9.2 million because it was deemed that certain projects had changed scope significantly, and the costs associated with them should not be carried forward to completion. The charge to the profit and loss account during the year included items relating to South Terminal baggage and Pier 1 works after they were combined into a single project. No such costs were incurred during the 12 months ended 31 March 2010.

For the six months ended 30 September 2011

During the six months ended 30 September 2010 the BAA pension trustees made a bulk transfer of assets and liabilities from the BAA pension scheme to GAL's defined benefit pension plan. Based on actuarial assumptions prescribed in the sale and purchase agreement (governing the sale of GAL), there was a £2.4 million shortfall in the assets transferred on 1 June 2010, and this cost was recognised by GAL. In accordance with the sale and purchase agreement, monies held in escrow for the benefit of BAA were used to fund the shortfall. No such costs were incurred in the six months ended 30 September 2011.

Costs associated with GAL's restructuring programme following the change in ownership totalled £0.3 million in the six months ended 30 September 2011 (six months ended 30 September 2010: £0.5 million).

Exceptional depreciation of £1.9 million incurred in the six months ended 30 September 2011 represents an additional charge as a result of shortening the useful life of the existing assets associated with the South Terminal Baggage and Pier 1 project. No such depreciation was incurred in the six months ended 30 September 2010.

Other exceptional costs of £0.5 million in the six months ended 30 September 2010 relate largely to one-off costs associated with GAL's continued separation from BAA.

CAPITAL INVESTMENT PROGRAMME AND THE REGULATORY ASSET BASE

| | Six months ended 30 September 2011 (unaudited) £m | Six months ended 30 September 2010 (unaudited) £m | 12 months ended 31 March 2011 (audited) £m | 12 months ended 31 March 2010 (unaudited) £m |
|---------------------|--|---|---|--|
| Capital expenditure | 134.1 | 91.9 | 232.2 | 181.4 |
| RAB | 2,119.5 | 1,830.1 | 1,985.5 | 1,744.6 |

For the 12 months ended 31 March 2011

GAL spent £211.4 million on Gatwick's Capital Investment Programme (the **Capital Investment Programme**) during 2011, the third year of Q5 (2010: £181.4 million). In addition, GAL acquired two car

parks from Ivy Subco Limited for £20.8 million as part of the refinancing. This brings total capital expenditure for Q5 to £517.6 million (2010: £285.4 million).

In the year GAL awarded master civil engineering and architect framework contracts and finalised specific contracting terms and conditions for the remaining projects of the Capital Investment Programme. The procurement strategy has been improved resulting in competitive tendering for projects, greater certainty of delivery below budget and innovation from the supply chain in the design and construction of projects.

The following key projects were completed during the year, resulting in improved passenger experience, increased capacity, improved airline performance and updated technology at Gatwick:

- the new Shuttle that runs between the North and South Terminals commenced service in July 2010, two months ahead of schedule;
- two projects improving the access routes for passengers were completed in the North Terminal in the middle of the year;
 - in the South Terminal, the first phase of refurbishment works to gate rooms in Pier 2 were completed in March 2011; and
 - the North West zone aircraft parking area was completed during the year, creating six new wide-bodied aircraft stands which will enable A380's to park at Gatwick. The project also improved Gatwick's environmental assets with a landscaping bund and alterations to our drainage balancing ponds.

Three significant Q5 projects that will improve the passenger experience in the South Terminal were commenced during the year:

- the South Terminal security project will consolidate all security lanes into a single area on one level in the South Terminal, as well as re-developing the restaurants and retail areas. The first three of 19 lanes opened in May 2011; and
- the development of the South Terminal forecourt and arrivals and check-in concourse also started this year. These two projects will provide passengers with quicker and easier access to the different areas of the terminal thanks to clearer lines of sight and a brighter, more contemporary space with new flooring and lighting. The projects, which will also transform transport access to the terminal, are due to be completed in time for the London Olympics in 2012.

Projects were also ongoing at year end to extend the North Terminal and support future growth at Gatwick. Building was underway to increase the capacity for check-in and arrivals and baggage reclaim. Further security lanes will be completed for the summer of 2011 and a new baggage system is under construction.

A new multi-storey car park at the North Terminal with 1,177 spaces was largely completed during the year and opened to the public in April 2011.

During the year the decision was made to combine the envisaged South Terminal baggage and Pier 1 projects into a single project, delivering a combined baggage factory and pier. Enhancements to the South Terminal baggage system will help Gatwick's airlines grow by supporting airline operations and delivering both service and punctuality benefits. The project will also deliver a flexible, fit for purpose pier for departures and arrivals in the South Terminal.

GAL is focusing on developing people, processes and technology and also driving efficiency. Fundamental to this is the need to separate and transform GAL's and Gatwick's operational IT systems from BAA legacy

systems. Various IT projects were completed during the year, and a new enterprise resource planning system is due for implementation in October 2011.

Bechtel Corporation (**Bechtel**) has continued to support GAL in the management and delivery of the Programme. The project management organisation has been restructured to better reflect GAL's delivery strategy and the implementation of 'best practice' processes and procedures which have resulted in improved procurement, cost management, quality, safety and project planning performance, all of which contribute to improved project delivery.

Bechtel's role is now focused on the continued implementation of best practices, training of GAL's staff who work on the Programme, and ensuring the remaining projects are delivered on time and on budget.

The RAB has increased by £240.9 million or 13.8% to £1,985.5 million as at 31 March 2011 (2010: £1,744.6 million) largely driven by the Q5 capital expenditure programme, with total spend of £232.2 million in 2011 (2010: £181.4 million).

For the six months ended 30 September 2011

GAL spent over £20 million per month on its capital expenditure programme during the six months ended 30 September 2011, completing three significant projects. The South Terminal security project opened in a phased process from May 2011. The project consolidates all security lanes into a single area on one level in the South Terminal, as well as re-developing the landside restaurants and retail areas. In the North Terminal, a new multi-storey car park opened in April 2011 and the first phase of the extension to the North Terminal completed and opened in September 2011.

The RAB was £1,985.5 million as at 31 March 2011, and has increased by a further £134.0 million to £2,119.5 million as at 30 September 2011 (30 September 2010: £1,830.1 million). This increase has been driven by the capital expenditure programme for Q5, with total spend of £651.7 million in the first three and a half years of the six year programme.

Gatwick has recently published for consultation with its airline customers a revised Capital Investment Programme, which includes expenditure of £1,172.0 million for the now extended Q5 up to 31 March 2014.

AIRPORT REGULATION

GENERAL

The principal elements of the current regulatory framework for airports in the UK derive from the Airports Act 1986. Gatwick is currently "designated" under the Economic Regulation of Airports (Designation) Order 1986. Designation requires the CAA, as the economic regulator for UK airports, to set price controls for Gatwick's airport charges. The other designated airports in the UK are Heathrow and Stansted.

The Airport Charges Regulations 2011 (the **2011 Regulations**), which came into force on 10 November 2011, added the requirement that in order to be designated for price regulation the CAA must determine that an airport has "substantial market power". This requirement will be overtaken by the similar but more elaborated market power determination provisions of the Draft Bill, where the meaning of market power has been explicitly correlated to the competition law concept of dominance.

As described in the "*Business of Gatwick Airport Limited – Regulatory regime*", following a period of extensive consultation, in November 2011 the UK Government published a Policy Paper and a draft Civil Aviation Bill (the **Draft Bill**), which contains many of the proposals in the previous administration's 10 December 2009 Decision Document on the future regulatory framework. At the same time, the CAA published an "Indicative Airport Licence" to illustrate what a licence under the new regime for an airport determined to have substantial market power might contain.

The Policy Paper accompanying the Draft Bill states that one of the central features of the revised regulatory framework will be to ensure that regulation assists in enhancing the passenger experience. This is entirely in line with GAL's strategy and is fully supported by management.

This section describes:

- the current regulatory framework under the Airports Act 1986, including the CAA's current statutory duties, the structure of the price cap, the key elements of the CAA's Q5 decision for the period 1 April 2008 to 31 March 2013 and its decision to extend that period to 31 March 2014;
- the proposed development of the regulatory framework. The Draft Bill, if enacted in its current form, would modernise the economic regulation of airports by: (i) providing for new duties of the CAA, including a general duty for the CAA to further the interests of users of air transport services in a manner that will promote competition in the provision of airport operation services and, in doing so, to have regard to the need to secure that a licence holder can finance its provision of such services; (ii) providing a statutory footing for existing financing arrangements at licensed airports; and (iii) introducing a licensing regime with provision for a more flexible approach in the regulation of airports, more appropriate to competitive and market positions of each airport;
- the main provisions of the CAA's indicative airport licence, which illustrates the licence conditions which might apply to an airport determined to have substantial market power under the new regime. The CAA takes Heathrow as its example airport for regulation. As such, the indicative licence does not necessarily reflect the conditions of any licence for Gatwick, if it were determined that Gatwick had substantial market power;
- the impact of competition in the airport and air transport sectors; and
- other relevant regulatory factors.

DESCRIPTION OF THE EXISTING ECONOMIC REGULATION FRAMEWORK

Regulatory Framework

The CAA is the independent aviation regulator in the UK, with responsibility for economic regulation, airspace policy, safety regulation and consumer protection. The functions of the CAA include:

- the regulation of airlines, and the economic regulation of airports and National Air Traffic Services;
- setting price controls for airports;
- issuing aerodrome licences to airports and ensuring that the holders of an aerodrome licence are competent and suitable persons to hold such a licence;
- investigating possible breaches of airspace rules and regulations under the Air Navigation Order and the Rules of the Air Regulations 2007;
- monitoring safety performance of the aviation system through the SRG; and
- managing the UK's principal travel protection scheme (the ATOL scheme), licensing UK airlines and managing consumer issues.

In carrying out these functions, the CAA has a statutory obligation under the Airports Act 1986 to:

- further the reasonable interests of users of airports within the UK;
- promote the efficient, economic and profitable operation of such airports;
- encourage investment in new facilities at airports in time to satisfy anticipated demands by the users of such airports; and
- impose the minimum restrictions that are consistent with the performance by the CAA of its functions.

The Airports Act does not provide guidance on how the CAA should weigh its various statutory duties. The CAA has stated that where two or more of its statutory duties pull in different directions it will base its decisions on its overall assessment of how the combination of regulatory policy decisions are together best calculated to meet its statutory duties taken as a whole. As described below, reprioritisation of the CAA's duties is one of the changes proposed in the Draft Bill.

The CAA is also required to apply the provisions of the 2011 Regulations, which implement the Airport Charges Directive in the UK and came into force on 10 November 2011. The purpose of the Directive is to require transparency, user-consultation and the application of the principle of non-discrimination by airports when calculating charges levied on users. It also requires there to be an independent national authority to arbitrate and settle disputes. The CAA is the relevant independent authority in the UK.

The 2011 Regulations apply only to airports located in the UK that have more than 5 million passenger movements per year. Gatwick is therefore one of the airports to which the 2011 Regulations apply. However, the existing form of economic regulation to which Gatwick is subject already contains many of the features of the 2011 Regulations, including:

- a non-discriminatory charging system;
- a consultation process between airport operators and airport users with respect to the level of airport charges (or constructive engagement – see also below); and
- service quality standards.

The 2011 Regulations enhance the level of information which airport users and airport operators are required to provide to each other. Airport users must provide annual traffic and fleet composition forecasts, development projects and requirements from the airport. In turn, operators must consult annually with airport users on future charges, service quality levels and the information on which the charges level has been based. The 2011 Regulations provide for penalties for non-compliance with these provisions.

ECONOMIC REGULATION

In the current regime, the CAA is required to set a price cap for the maximum level of airport charges for five-year periods, known as quinquennia. As with other UK regulated utilities, airport price caps have been set on a RPI+/-X basis, based on an allowed return on the RAB. Changes in costs and revenues and changes in assumed traffic volumes are taken into account when tariffs are reset for the following regulatory period. However, there is no retrospective adjustment for shortfalls in lost income or additional costs (except where airports incur additional security costs in implementing new security requirements imposed by the EU or the UK Government).

The current quinquennium (Q5) has been extended for one year and now lasts from 1 April 2008 to 31 March 2014.

The Price Cap

The CAA has used a "single till" approach in setting the price caps. The single till takes into account revenue and costs from both aeronautical and non-aeronautical activities when setting the price caps.

In setting the price cap the CAA determines the regulated revenue requirement, which is calculated as the sum of forecast operating expenditure, less other revenue, plus the required return (using a cost of capital determined by the CAA) on the forecast RAB (taking into account forecast capital expenditure), plus regulatory depreciation. The resulting regulated revenue requirement is the total allowed income from airport charges.

The regulated revenue requirement is divided by forecast passenger numbers which, subject to a price profiling adjustment to smooth charges across the five years of a regulatory period, establishes the price cap expressed as a maximum allowable yield per passenger (the **Allowable Yield**).

During each quinquennium, the maximum Allowable Yield changes from each 1 April by RPI +/- X based on the annual change in RPI as at the previous August.

When setting the price cap the CAA will take a view, and make assumptions, on the scope for future efficiency savings, the appropriate level of capital expenditure and the likely rate of growth in demand for airport services.

While the price cap places a limit on the airport charges, it is left to GAL's discretion whether or not to price to the maximum permitted level or to price below the cap. For example, if there is unused airport capacity, GAL may choose to set prices below the cap in order to stimulate demand.

The price control conditions set by the CAA include the following additional components in the Allowable Yield:

- The S factor is an adjustment designed to recover additional security costs incurred as a result of new EU or UK security requirements within the relevant quinquennium. For Q5, GAL is permitted to recover 90% of any such additional security costs above a £7.0 million threshold.
- The K factor is designed to correct for any under- or over-recovery in airport charges compared to the Allowable Yield. Under- or over-recoveries generally arise due to changes in traffic mix or

average loads compared with those forecast at the time prices were set. The K factor adjustment is applied to the Allowable Yield two years after the year in which it is incurred.

- There is a capital expenditure "trigger" term built into the formula for Gatwick, with provision for the Allowable Yield to be reduced if specified projects are not delivered on time. The specified monthly sum will be determined on one-twelfth of the return on the completed value of the asset as projected in the capital investment plan on which the price cap is based, re-valued to the money value of the day. As at 31 December 2011 there were 11 specified projects to which 14 monthly trigger payments were attached. Of these:
 - seven triggers have been met;
 - four triggers are in the process of being agreed with the airlines prior to being sent to the CAA for approval;
 - one trigger is on schedule to be met;
 - one trigger has been turned off by the CAA so the risk is removed for Q5; and
 - there are two projects in respect of which GAL expects full trigger payments to arise (amounting to £14.14m and £1.06m).

The maximum amount at risk at the beginning of Q5 was approximately £56 million. See "*Risk Factors – Regulatory Risks – Capital Expenditure Triggers*".

There is also a service quality rebate scheme at Gatwick, introduced by the CAA in July 2003 in order to improve service standards at the airport, which sets defined service standards for a range of passenger facilities, such as piers, lifts, escalators and moving walkways, as well as for airfield congestion and security queuing times. To the extent GAL does not meet the defined standards, it is required to provide rebates to airlines on the per-passenger charges, which in Q5 could amount to up to 7% of airport charges. These rebates are payable the month after the failure to meet the service standard. For Gatwick, the scheme includes a bonus element whereby the airport is permitted to levy up to 2.24% higher airport charges to the extent they exceed certain of the service quality standards. These bonuses are collected through an adjustment to the Allowable Yield two years after the year in which the service standard has been exceeded.

From 1 April 2008, Air Navigation Services (ANS) have been included within airport charges.

GAL currently recovers the Allowable Yield through three types of airport fees and traffic charges:

- Fees per passenger are levied in respect of all departing passengers other than those who do not change aircraft and crew members working on the flight. There are three different charges for departing passengers, depending on route area: domestic, Republic of Ireland and international;
- Landing charges are levied for substantially all aircraft (with certain diplomatic and other flights being exempted). These are banded into categories for aircraft weighing less than sixteen tonnes, those weighing between sixteen and fifty tonnes and those weighing more than fifty tonnes, of which the latter two categories include nearly all commercial aircraft. These charges are adjusted in accordance with each aircraft's noise-rating, its emissions and the time of day. Gatwick charges higher landing charges during peak traffic times than off-peak traffic times.
- Aircraft parking charges are based on the duration of the ground stay and the aircraft's weight. The time element is based on 15-minute charging periods. There is also a peak morning period for charging in summer at Gatwick.

GAL is free to allocate Allowable Yield between these charges subject to consultation and non-discrimination.

The price cap is typically set for a quinquennium and cannot be changed during this period without GAL's consent. Others, including airlines and the CAA, cannot force a reopening of the price cap determination during a regulatory period. The CAA has indicated that it does not consider that financial distress, per se, would justify reopening price controls, nor a scaling back or deferral of the investment programme that users effectively pay for through their charges. The CAA has stated that to do otherwise would transfer risk from equity and debt investors to users, contrary to the CAA's policy approach. See "*Risk Factors – Regulatory Risks – Civil Aviation Authority regulation – price caps and factors which may affect pricing*". This was reaffirmed in the CAA decision of 11 March 2008.

Key elements of CAA's Q5 Decision

The CAA's decision in respect of Gatwick for Q5 was published on 11 March 2008. The key elements of the CAA's decision include:

- an increase in Allowable Yield of RPI + 2.0% for each regulatory year during Q5;
- "single till" approach and continuity with current price control in terms of recognising commercial revenues and costs of the regulated airport, the definition of airport charges and the principal design of the price cap;
- WACC, or weighted average cost of capital, which is the CAA's assessment, using a notional capital structure, of the appropriate allowed blended cost of debt and return on equity to satisfy the requirements of capital providers over the quinquennium, of 6.5% pre-tax real for Gatwick;
- lower projected operating costs than had been forecast by GAL; and
- confirmation of the regulator's intent that risks associated with specific financial arrangements adopted by the airports should fall on the owners and their investors rather than users.

The CAA confirmed that all the actual capital expenditure in Q4 at Gatwick was included in the initial RAB for Q5, implying that the capital expenditure in Q4 had been efficiently incurred and sufficient consultation had been conducted.

For the Q5 review, the CAA proposed a process of constructive engagement. This required airports and airlines to seek to agree some of the main inputs of the price control calculation. Discussions were held on airport vision, airport strategy, capital expenditure, traffic forecasts, capital expenditure efficiency, opportunities for operating cost efficiencies and non-regulated charges. The CAA announced in its October 2010 consultation document "Lesson Learnt from Q5" that it intends to continue the practice of constructive engagement between the airports and airlines.

The CAA planned an independent mid-Q5 assessment of progress in achieving capital expenditure efficiency at each airport and its performance in consulting with users on airport development and investment. In February 2011, the CAA published its assessment of the issues relating to the efficiency of capital expenditure and the consultation performance during the first two years of the period. The assessment of capital efficiency found that, in the case of Gatwick, "progress had been made" in the first two years of Q5, but that there was still "room for improvement" in the way in which Gatwick plans, measure, implements and evaluates capital expenditure projects. In relation to consultation performance, the CAA found that Gatwick generally conformed with its consultation requirements, but that it had failed to conform with requirements to provide an Airport Master Plan and long-term land use plan.

Extension of current price controls

On 1 April 2011, under section 40(7) of the Airports Act 1986, the CAA extended the Q5 price control period for an additional twelve months to 31 March 2014.

The extended control period relates to the proposed reform of the regulatory framework. On publishing the Draft Bill, the Secretary of State said that early publication was designed to ensure that the CAA would be able to take decisions on regulation under the new regime.

Gatwick has agreed to alter its price cap in 2013/14 from the current RPI+2% to RPI-0.5%. In addition, a new set of capital expenditure triggers are to apply in 2013/14 that will be negotiated under an agreed process. Any failure to reach agreement by June 2012 will result in the airport and airlines seeking a binding determination from the CAA.

The CAA intends to carry forward for 2013/14 the prevailing service quality rebate scheme and the conditions on charges for non-passenger flights. It is also currently minded to carry forward the Public Interest Conditions imposed by the Competition Commission and relating to cost transparency, the provision of information desks and requirements around use of employment agencies. The security cost pass-through term will also be extended by a further year.

GAL agreed with the CAA and with the airlines operating at Gatwick that the capital expenditure triggers relating to Pier 7 and South Terminal baggage handling will be removed for the year 2013/14, and that GAL and the airlines will agree replacement triggers, to be submitted to the CAA by June 2012, covering 60 per cent. of the forecast capital expenditure in 2013/14. These new capital expenditure triggers have not yet been finalised between GAL, the airlines and the CAA. However, Gatwick has agreed with the CAA that, in the event that new triggers covering 60 per cent. of the forecast 2013/14 capital expenditure cannot be agreed and submitted to the CAA by June 2012, the CAA should apply appropriate triggers and accompanying trigger definitions for the timely delivery of projects which GAL and the airlines have agreed are to be carried out during 2013/14.

PROPOSED DEVELOPMENT OF THE REGULATORY FRAMEWORK

Review of Economic Regulation and draft Civil Aviation Bill 2011

On 23 April 2008, the then UK Government announced a review of economic regulation of UK airports, which resulted in the publication of the December 2009 Decision Document. This laid out the UK Government's proposals based on a March 2009 consultation and included the introduction of a tiered licensing regime, amendment of the CAA's duties, a new appeals system for licence conditions and the granting of concurrent competition powers to the CAA.

The present administration confirmed in the 2010 Queen's Speech that it intended to "reform the economic regulation of airports to benefit passengers" through a new bill. On 7 July 2010, and again in March 2011, the Secretary of State said that the Department for Transport was in the process of preparing the bill to effect this reform.

On 23 November 2011, the Secretary of State published the Draft Bill, which contained the Government's proposals for the replacement of the existing system for setting price caps with a more flexible framework. See "*Economic Regulation – The Price Cap*". The Draft Bill does not affect the basis on which the current price caps are set. It is intended that existing price controls will continue to apply until they expire in March 2014.

However, it is intended to introduce the Draft Bill in Parliament "early in 2012" and to have the new regulatory architecture in place in order that the Q6 review can be carried out under the new regime. The CAA anticipates that it will be in a position to issue the first licences under the new regime in April 2014, i.e. at the expiry of the current price control period.

GAL has supported the UK Government's proposals regarding reform of the economic regulation of airports and welcomes the evolution of the regulatory architecture in the manner proposed in the Draft Bill. The Draft Bill builds on the proposals set out in the Decision Document. The main highlights of the Draft Bill are:

- Duties of the regulator: The Draft Bill proposes that the four co-equal duties of the CAA under the Airports Act would be replaced with a revised "general duty", under which the CAA must carry out its functions in a manner which it considers will further the interests of existing and future consumers of passenger and freight services at UK airports, regarding the range, availability, continuity, cost and quality of airport operation services. Where appropriate, the CAA must do so by promoting effective competition. The CAA is required to have regard to a number of factors, including:
 - the need to secure that each holder of a licence is able to finance its provision of airport operation services in the area for which the licence is granted;
 - user demand;
 - promotion of economy and efficiency; and
 - regulating in a targeted, transparent, consistent and proportionate manner.
- Financial resilience: While recognising the need to ensure financial resilience at licensed airports, the Draft Bill gives statutory recognition to pre-existing financing arrangements in the airport sector. If the Draft Bill is enacted, the CAA will be required to have regard to the need to secure that licence holders are able to finance their provision of airport operation services. In the Policy Paper accompanying the Draft Bill, the UK Government notes that while the CAA will be free to draft licences as it sees fit, taking account of its duties (including the financing duty referred to above), licence conditions will be subject to appropriate derogations (i.e. suspensions of the relevant licence provisions relating to financial resilience) "*where these cut across financing in existence at the time the Draft Bill is enacted*".

In granting a licence, the CAA may not provide for derogations relating to financial arrangements that have been entered into before the Draft Bill is enacted to be terminated by reference to any time or event; nor may the CAA provide for it to determine to which financial arrangements the derogations apply. Similarly, the CAA will be precluded from modifying a licence condition where the condition contains a derogation for financing arrangements entered into before the Draft Bill is enacted, without first determining: (i) that there has been a material change in circumstances since the derogation was granted; and (ii) the benefits of removing the derogation are likely to outweigh the costs to passengers.

The indicative licence intentionally does not include references to financial resilience conditions, in line with the request of the Secretary of State. The ring-fencing provisions set out in the 2009 Decision Document remain the guidelines as to the parameters of potential future financial resilience conditions.

- Licensing: All airport operators are subject to aerodrome licensing under the Air Navigation Order 2009, which requires an airport operator to demonstrate that it is competent to conduct aerodrome operations safely (see "*Other Regulatory Factors – Aerodrome Licensing*"). That licensing requirement is not affected by the proposals in the Draft Bill. With regard to economic regulation, the Draft Bill proposes the replacement of the existing system of designation with a new licensing system. Unlike the two tier licensing model proposed in the Decision Document, the Draft Bill now envisages a single licence level applying only to "dominant areas" within "dominant airports". This is to allow for the possibility that the airport operator may have substantial market power in relation to only some of the activities that it carries on at the airport and also to allow for the future licensing

of separate operators of parts of the airport such as terminals or satellites at a single airport site which is itself dominant. In both cases dominance is assessed by reference to a market power test similar to that introduced into the Airport Act through the 2011 Regulations. In determining dominance, the CAA is required to demonstrate that:

- the operator of the relevant airport or airport area has, or is likely to acquire, substantial market power, either alone or otherwise. The Draft Bill indicates that substantial market power in this context is effectively equivalent to the concept of dominance under the Competition Act 1998;
- that competition law does not provide sufficient protection against the risk that the relevant operator may engage in conduct which constitutes an abuse of that market power; and
- the benefits, for passengers and users of cargo services, of regulating the relevant operator by means of a licence are likely to outweigh the adverse effects.

Licences will be imposed only where the CAA demonstrates the existence of each of the above. Airports falling outside these criteria will be subject to the general competition law, which will be enforced by the relevant competition authorities including the CAA, and the provisions of the Airport Charges Directive enforced by the CAA. Even where a licence is required, the Draft Bill does not stipulate that price controls follow automatically, although the CAA must impose price control conditions where it considers that it is necessary or expedient to do so having regard to its statutory duties (see below). The Draft Bill allows the CAA flexibility in the licence conditions that it imposes, so as to reflect the market and competitive position of each airport. For example, the CAA could impose a range of possible price controls such as setting maximum prices or a system of price monitoring. The Policy Paper accompanying the Draft Bill suggests that the CAA may move away from price controls towards price monitoring while regulating certain aspects of service quality instead.

- Appeals: The Draft Bill proposes a system of appeals relating to licence decisions of the CAA. Appeals in relation to operator and market power determinations would be to the CAT. Such appeals would be capable of being brought by the relevant operator, the Secretary of State and any other person whose interests are materially affected by the determination, on the grounds that the decision in question was wrong in fact, in law or based on a wrong exercise of discretion. Appeals in relation to the imposition and modification of licence conditions would be to the Competition Commission. Such appeals would be capable of being brought by the relevant operator, or airlines whose interests are materially affected by the decision. The grounds for bringing an appeal are identical to those in relation to market power and operator determinations. The Draft Bill requires appellants to obtain leave of the Competition Commission to bring an appeal and allows it to refuse vexatious appeals. Similarly, under its rules, the CAT has the power to reject an application made on vexatious grounds, or to reject an appeal made by an appellant which has habitually and persistently brought vexatious proceedings.
- Competition powers: The Draft Bill would grant the CAA competition powers, to be held concurrently with the national competition authority, the OFT, in respect of services provided by airport operators and "third party" airport service providers. This will allow the CAA to enforce competition law, conduct market studies, and make market investigation references to the Competition Commission in the airports sector. If enacted, the CAA would have the power to impose fines of up to 10% of turnover for infringements of the Competition Act 1998, under its concurrent mandate.
- Enforcement: In addition to concurrent competition enforcement powers, the Draft Bill gives the CAA powers to enforce licence conditions, including the power to impose fines of up to 10% of the

operator's turnover if the conditions are breached. Orders and penalties will be subject to a right of appeal "on the merits" before the CAT.

- Aviation security: The Draft Bill proposes the transfer of aviation security regulation functions to the CAA, in order to rationalise the number of regulators in the sector. The Secretary of State will, however, retain responsibility for overall aviation security policy.

On 23 November 2011, at the request of the Secretary of State, the CAA published an indicative licence and discussion document to accompany the publication of the Draft Bill. The licence, which takes Heathrow as its example airport for regulation, sets out the main conditions that are likely to feature in final licences. These include price control, service quality, financial and operational resilience conditions. As noted above, at the UK Government's request, this indicative licence does not include financial resilience conditions.

The indicative licence transposes, for illustrative purposes, the current Q5 price controls for Heathrow. However, the CAA makes clear that the form of price control will depend on the CAA's competition analysis, and also provides an illustrative example of a licence condition which contains price monitoring rather than maximum price caps. The CAA also refers to alternative forms of price regulation, which include flexibility regarding the length of the controls, the link to capital expenditure and the setting of maximum levels of charges.

The discussion document also sets out the CAA's indicative timetable for the key stages towards implementing the new regime and granting licences to the relevant airports. In summary, the discussion document envisages the following key stages:

- January 2012: CAA publishes its initial views on the market power of UK airports, following its assessment process conducted in the second half of 2011
- January to June 2012: CAA discusses licence development with stakeholders
- April 2012: CAA updates its views and set out guidelines for constructive engagement in its Q6 policy update consultation in April 2012. CAA publishes next consultation on the development of revised price and service quality regulation, including consideration of licence development issues
- April 2013: CAA makes initial proposals on both price and service quality regulation and on the full licences (the Draft Bill, if enacted, is assumed to come into effect at this time)
- September 2013: CAA consults on final proposals on price and service quality regulation and on the full licences;
- April 2014: licences come into effect, with the conditions for revised price and service quality regulation to apply from that time.

The new regulatory framework will require the CAA to justify – by way of competition analysis – the need for continued price regulation. The CAA's analysis is at an early stage, but as indicated above the CAA is expected to publish its initial views in January 2012.

GAL has made the case to the CAA that Gatwick does not have substantial market power, either by reference to the current or (more particularly) the new market power tests and therefore should not be subject to continued price regulation or be required to have a licence under the new framework. If the CAA agrees with this submission, Gatwick will remain subject to general competition law and the provisions of the 2011 Regulations implementing the Airport Charges Directive, in respect of both of which the CAA will have an enforcement role.

If the CAA determines that Gatwick has substantial market power and should therefore be licensed, the licensing framework permits the CAA to impose regulatory provisions that more closely reflect Gatwick's market and competitive position. The CAA has given certain indications as to how it will regulate in such circumstances. A July 2010 report entitled "Alternative approaches to price cap regulation to minimise distortions to competition and investment incentives - A report by Europe Economics for the Civil Aviation Authority" on price cap regulation produced for the CAA by Europe Economics sets out a number of potential approaches to future regulatory reform. Some of these approaches are described as being capable of development within the existing RAB-based framework, e.g. a cost-based approach, investment monitoring, or negotiated settlements with customers.

Following that report, in July 2011, the CAA issued a consultation on price and service quality regulation at Heathrow, Gatwick and Stansted, outlining more flexible options for passenger-focussed economic regulation. This theme was also adopted in the November 2011 discussion document accompanying the CAA's indicative licence, where the CAA looked at a number of alternative forms of price regulation, including shorter or longer periods for regulation, more flexibility for capital planning (e.g. introducing a rolling programme), which better reflects the commercial realities faced by airports and alternatives to price caps (such as price monitoring or enhanced information and consultation requirements).

Competition Commission Market Investigation

Following its market study on the supply of airport services by BAA in the UK, which commenced in June 2006, the Competition Commission published its final decision on its investigation on 19 March 2009. The decision covered both structural and behavioural remedies as well as recommendations relating to regulation and policy. The key decisions included:

Structural remedies

- the disposal, within two years, of Gatwick and Stansted Airport to different purchasers and of either Edinburgh or Glasgow airport;

Behavioural remedies

- strengthening consultation processes and provisions on non-discrimination and quality of service;

Regulation and policy recommendations to the UK Government

- adoption of a licence-based regime of economic regulation;
- the CAA's primary objective should include a duty to promote effective competition between airports and, in assessing the interests of consumers, the regulator should have due regard to the view of airlines; and
- the CAA should be under a statutory duty not to set price caps or impose related licence obligations or to retain them unless its market analysis shows that there is a material risk of the relevant airport charges being set at an excessively high level with adverse consequences for end users.

Air transport policy recommendations to the UK Government

- the UK Government should, in the context of the development of the aviation national policy statement, consider the impact of the Air Transport White Paper on the aviation market in the South East of England, in the light of the divestiture of Gatwick and should ensure that the aviation national policy statement does not unduly constrain this market;

- in developing the aviation national policy statement, the UK Government should give due consideration to the ambitions of the new owner of Gatwick, including the possibility of a second runway at Gatwick after 2019; and
- the UK Government should request a review, under section 31 of the Airports Act, of the current air traffic distribution rules relating to cargo traffic at Gatwick.

Many of these remedies and recommendations have already been implemented. BAA divested Gatwick to GIP in December 2009. It decided to divest Edinburgh airport, and that process is underway. The recommended divestment of Stansted is currently the subject of an appeal to the CAT. Other points have been addressed by the UK Government in the Draft Bill. See "*Proposed Development of the Regulatory Framework*".

OTHER REGULATORY FACTORS

Aerodrome licensing

Airport operators are currently subject to aerodrome licensing under the Air Navigation Order 2009, which requires an airport operator to demonstrate that it is competent to conduct aerodrome operations safely. Once the licence is granted, the licence holder must continue to satisfy the competence criterion for the licence to remain in force.

The CAA must grant a licence in respect of any aerodrome in the UK if it is satisfied that:

- the applicant is competent, having regard to its previous conduct and experience, equipment, organisation, staffing, maintenance and other arrangements, to secure that the aerodrome and the airspace within which its visual traffic pattern is normally contained are safe for use by aircraft; and
- the aerodrome is safe for use by aircraft, having regard in particular to the physical characteristics of the aerodrome and of its surroundings.

GAL holds a permanent aerodrome licence, which means the licence remains in force until it is varied, suspended or revoked.

Other measures under the Airports Act

Section 30 of the Airports Act gives the Secretary of State the power to give directions to airport operators in the interests of national security. The directions can require airport operators to take, or refrain from taking, particular action specified in the direction – see "*Risk Factors – Regulatory Risks*".

The Secretary of State, having regard to advice from the CAA, has the power under section 31 of the Airports Act to make traffic distribution rules for UK airports (the **Traffic Distribution Rules**) for UK airports. There are currently two Traffic Distribution Rules in place restricting the access of all-cargo flights and general aviation to Heathrow Airport and Gatwick.

The Secretary of State, having regard to advice from the CAA, also has the power under section 32 of the Airports Act to limit aircraft movements at certain airports (in particular, if it appears that the existing runway capacity of the airports is not fully utilised). No limitation is currently in place at Gatwick.

Open Skies

In April 2007, the European Community, its Member States and the United States signed the Open Skies Agreement. The first stage of the agreement came into effect on 30 March 2008. It introduced new commercial freedoms for airline operators by providing an open market for all transatlantic routes between

the United States and Europe. Under the agreement the U.S. recognised all European airlines as "community air carriers". Designation as a community air carrier allows air carriers to fly between any point in the EU to any point in the U.S., without any restrictions on pricing or capacity.

The second stage of the agreement came into effect on 24 June 2010. It maintains the existing measures of the first Open Skies Agreement and provides for close co-operation on environmental matters and aviation security between the U.S. and EU. No agreement was reached, however, on removing remaining barriers to foreign ownership and control of airlines.

Enforcement under the Airports Act

Section 48(3) of the Airports Act gives the CAA the authority to issue a compliance order against an airport operator where it has failed to comply with the conditions imposed upon it by the CAA, under section 39 of the Airports Act. Where the CAA is satisfied that an airport operator has failed to comply with a condition imposed upon it, it can either "make such provision as it considers appropriate for the purpose of securing compliance with that condition and for remedying any loss or damage sustained, or injustice suffered, by any person in consequence of the failure to comply with that condition, or modify the condition in such manner as it considers appropriate in all the circumstances."

On 14 June 2011, the CAA concluded that Gatwick had failed to comply with the Transparency Condition in relation to check-in and baggage charges by not providing to the CAA and to users or their representatives a statement of the pricing principles for each item charged, and the assumptions and relevant cost information adequate to verify that the charges derive from the application of the pricing principles. Further, as Gatwick's individual check-in and baggage charges were not each directly related to cost, the CAA's finding also applied to the requirement that information to be provided when charges are not established in relation to cost.

The CAA stated that it was minded to make an order requiring GAL to ensure that it fully complies with Regulation 16 of the Airports (Groundhandling) Regulations 1997 in respect of information about check-in desk charges and related charges. The CAA has not finally reached a conclusion.

The CAA is also considering a complaint that GAL's charging structure discriminates against operators of smaller aircraft. Its decision is awaited. However, in September 2011 it published its preliminary assessment that GAL's charging structure is objectively justified, and that it accordingly proposed formally not to investigate further.

Enforcement under the Draft Bill

The Draft Bill also provides for CAA enforcement of licence conditions. The CAA may serve enforcement notices and orders on an operator. Where the CAA serves an enforcement or urgent enforcement order on an operator, the operator is under a duty to comply with the terms of that order. The CAA may take action, through seeking injunctive relief, in order to ensure that an operator does not breach its duty to comply with an enforcement order.

In addition, failure to comply with licence conditions or an enforcement order or competition law can result in penalties for offending operators of up to 10% of turnover at the relevant airport. Penalties may be imposed on a per diem basis or as a fixed amount. Enforcement decisions or decisions on penalty may be appealed to the CAT.

Environmental Regulation

The UK Government has direct responsibility for regulating aircraft noise at airports in the UK. In June 2006, the UK Government published its long-term statutory environmental noise objectives for these airports.

The UK Government's "*Air Quality Strategy for England, Scotland, Wales and Northern Ireland*" report dated July 2007 sets health-based air quality targets and objectives for the levels of a range of pollutants to be assessed and managed by local authorities. The Borough of Reigate and Banstead adjoining Gatwick declared an AQMA to manage nitrogen dioxide levels in the vicinity of Gatwick in Horley Gardens.

In addition, respective local authorities for Gatwick have also:

- imposed noise and local air pollutants controls as part of the planning system, including annual air transport movement limits and noise contour area limits; and
- implemented policies for the development of dwellings in areas exposed to transportation noise or poor air quality as set out in the UK Government's Planning Policy Guidance Notes.

Gatwick has implemented a number of measures in relation to the environmental sustainability of its business, including pricing regimes that penalise noisier and higher emitting aircraft, airfield operation protocols relating to engine noise and other emissions, the provision of fixed ground power and pre-conditioned air, the use of cleaner airside vehicles and fuels, investments in systems to monitor and track noise levels of aircraft and local noise insulation schemes. In support of these initiatives Gatwick will soon be rolling out its European Noise Directive Action Plan which has been adopted by the Secretary of State. This action plan continues Gatwick's current Section 106 noise actions and outlines Gatwick's commitment to continued best practice in noise management and mitigation and commitment to new and innovative measures to reduce noise impact. The action plan will cover a five year period and will be annually reviewed by both the airport and the Department for Transport.

Gatwick has also adopted strategies to reduce energy use in airport buildings by 20% by 2012-15 and reduce carbon emissions by up to 50% by 2020 from 1990 levels and also has strategies in respect of water quality, waste, biodiversity, land quality, flood mitigation and materials usage. Gatwick has combined its approach on all these issues into a comprehensive and challenging airport strategy termed 'Decade of Change'. Gatwick is also in the process of evaluating its current noise insulation scheme with a view to offering a new scheme in 2013.

See "*Risk Factors – Environmental, Health and Safety, Construction and Planning Risks*".

All information contained in this Prospectus in respect of potential future changes to the regulatory framework has been based on public information from the Department for Transport, the CAA and other authorities of the present and previous administration. The Issuer confirms that all information in this Prospectus in respect of this matter has been accurately described or reproduced and that, so far as it is aware and is able to ascertain from information published by the Department for Transport and the CAA, no facts have been omitted which would render this reproduced information inaccurate or misleading.

Note, however, that the Issuer has not participated in the preparation of that information nor made any enquiry with respect to that information. None of the Department for Transport, the CAA or the other authorities of the present and previous administration makes any representation as to the accuracy of the information or has any liability whatsoever to the Bondholders in connection with that information. Anyone relying on the information does so at their own risk.

DESCRIPTION OF THE ISSUER AND THE OBLIGORS

GATWICK FUNDING LIMITED

The Issuer, Gatwick Funding Limited, was incorporated in Jersey, Channel Islands on 21 January 2011. The Issuer was incorporated under the Companies (Jersey) Law 1991, as amended, as a public company of unlimited duration and with limited liability. Its registered number is 107376. The Issuer is and always intends to be resident in the United Kingdom only for tax purposes.

The Issuer's registered office is at 47 Esplanade, St Helier, Jersey JE1 0BD, where the Issuer's register of members is kept (telephone number +44 (0) 1534 510924). The memorandum and articles of association of the Issuer may be inspected at the registered office of the Issuer. The Issuer has unlimited corporate capacity under Jersey law.

The Issuer is wholly owned by GAL and is indirectly wholly owned by the Security Parent. See "*Business of Gatwick Airport Limited*" for further information. The Issuer has no subsidiaries.

Directors, Secretary and Corporate Services

The Directors of the Issuer and their respective addresses and other principal activities are:

| Name | Nationality | Business Address | Other Principal Activities |
|----------------------------------|--------------------|--|--|
| Jonathan Eden Keighley | British | 35 Great St Helens, London EC3A 6AP | Group Chief Executive of Structured Finance Management Limited |
| Robert William Berry | British | 35 Great St Helens, London EC3A 6AP | Managing Director of Structured Finance Management Limited |
| Christopher Robert Koski | Canadian | 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP | Global Head of Infrastructure Finance for ADIA |
| Andrew Harvey Gillespie-Smith | British | 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP | Principal of GIP |
| William Alan Woodburn | American | 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP | Operating Partner of GIP |

| | | | |
|---------------------|---------|---|--------------------------|
| Michael John McGhee | British | 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP | Transport Partner of GIP |
|---------------------|---------|---|--------------------------|

The Secretary of the Issuer is Structured Finance Management Offshore Limited whose registered office is at 47 Esplanade, St Helier, Jersey JE1 0BD.

The Issuer Corporate Administration Providers have agreed, pursuant to on terms of the Issuer Corporate Administration Agreements dated on the Establishment Date, to provide certain corporate administration services to the Issuer, including the provisions of directors and the secretary. Fees are payable to Structured Finance Management Offshore Limited and Structured Finance Management Limited thereunder.

The directors receive no remuneration from the Issuer for their services. The directors do not hold any direct, indirect, beneficial or economic interest in any of the shares of the Issuer. The directorship of Jonathan Keighley and Robert Berry is provided as part of the UK Corporate Services Provider's overall corporate administration service provided to the Issuer pursuant to the UK Corporate Administration Agreement.

The directors of the Issuer may engage in other activities and have other directorships. As a matter of Jersey law, each director is under a duty to act honestly and in good faith with a view to the best interest of the Issuer, regardless of any other directorship he or she may hold.

None of the directors of the Issuer has any actual or potential conflict between their duties to the Issuer and their private interests or other duties as listed above.

Principal Activities

The Issuer was established as a special purpose vehicle and its principal activities will be acquiring, holding and managing its rights and assets under the Borrower Loan Agreements following the issue of Bonds in connection with the execution and performance of the Issuer Transaction Documents, the execution and performance of all documents to which it is expressed to be a party and the exercise of related rights and powers and other activities reasonably incidental thereto.

Management and Control

The Issuer is managed and controlled in London, United Kingdom.

Share Capital

The Issuer may issue an unlimited number of shares with no par value. As at the date of this Prospectus two shares have been issued and paid up at the price of £1.00 each.

Auditors

The auditors of the Issuer are PricewaterhouseCoopers LLP with a registered office at First Point, Buckingham Gate, Gatwick, West Sussex RH6 0NT.

PricewaterhouseCoopers LLP is a registered auditor and is authorised by and is a member of the Institute of Chartered Accountants in England and Wales to practise in Jersey.

GATWICK AIRPORT LIMITED

The Borrower, Gatwick Airport Limited, was incorporated in England and Wales on 19 February 1986. The Borrower was incorporated under the Companies Act 1985, as amended, as a private limited company. Its registered number is 01191018.

The Borrower's registered office is at 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP, where the Borrower's register of members is kept (telephone number +44 1293 503616). The memorandum and articles of association of the Borrower may be inspected at the registered office of the Borrower.

The Borrower is wholly owned by Ivy Holdco Limited, a private limited company incorporated in England and Wales and having its registered office at 5th Floor, 6 St Andrew Street, London EC4A 3AF (Security Parent). Its registered number is 7497036.

Directors, Secretaries and Corporate Services

The directors and company secretaries of the Borrower and their respective addresses and other principal activities are:

| Name | Nationality | Business Address | Other Principal Activities |
|--------------------------------------|--------------------|---|--|
| Sir David Rowlands | British | 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP | Non-executive chairman and adviser |
| Stewart Wingate | British | 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP | None |
| Nicholas James Dunn | British | 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP | None |
| Raphael Henry Arndt | Australian | 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP | Head of Infrastructure at Future Fund |
| Andrew Harvey Gillespie-Smith | British | 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP | Principal of GIP |
| James Douglas Adrianus Van Hoften | American | 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP | GIP Adviser |
| Andrzej Tadeusz Jurenko | British | 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP | GIP Principal Adviser |

| | | | |
|--------------------------------|----------|---|--|
| Christopher Robert Koski | Canadian | 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP | Global Head of Infrastructure Finance for ADIA |
| Michael John McGhee | British | 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP | Transport Partner GIP |
| Sir Robert William Roy McNulty | British | 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP | Non-executive director |
| William Alan Woodburn | American | 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP | Operating Partner of GIP |

The secretaries of the Borrower are Robert David Herga whose business address is at 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP and TMF Corporate Administration Services Limited whose registered office is at 5th Floor, 6 St Andrew Street, London EC4A 3AE.

The directors of the Borrower may engage in other activities and have other directorships. As a matter of English law, each director is under a duty to act honestly and in good faith with a view to the best interest of the Borrower, regardless of any other directorship he or she may hold.

None of the directors of the Borrower has any actual or potential conflict between their duties to the Borrower and their private interests or other duties as listed above.

See "*Business of Gatwick Airport – Pensions and Employees – The Board of Directors*" for more information about the directors.

Principal Activities

The Borrower was established as a private limited company and its principal activities are other business activities. For a detailed description of the principal activities of the Borrower, see "*Business of Gatwick Airport Limited*".

Management and Control

The Borrower is managed and controlled in Gatwick, West Sussex, United Kingdom.

Share Capital

The authorised share capital of the Borrower is £336,300,002, comprising 336,300,002 shares of £1 each. The issued and paid up share capital of the Borrower is £336,300,002 as at the date of this Prospectus.

Auditors

The auditors of the Borrower are PricewaterhouseCoopers LLP with a registered office at First Point, Buckingham Gate, Gatwick, West Sussex RH6 0NT.

PricewaterhouseCoopers LLP is a registered auditor and is authorised by and is a member of the Institute of Chartered Accountants in England and Wales to practise in England and Wales.

IVY HOLDCO LIMITED

The Security Parent, Ivy Holdco Limited, was incorporated in England and Wales on 18 January 2011. The Security Parent was incorporated under the Companies Act, as a private limited company. Its registered number is 7497036.

The Security Parent's registered office is at 5th Floor, 6 St Andrew Street, London EC4A 3AE, where the Security Parent's register of members is kept (telephone number +44 1293 503616). The memorandum and articles of association of the Security Parent may be inspected at the registered office of the Security Parent.

The Security Parent is wholly owned by Ivy Bidco Limited, a private limited company incorporated in England and Wales and having its registered office at 5th Floor, 6 St Andrew Street, London EC4A 3AE. Its registered number is 06879093.

Directors, Secretary and Corporate Services

The directors and company secretary of the Security Parent and their respective addresses and other principal activities are:

| Name | Nationality | Business Address | Other Principal Activities |
|-------------------------------|--------------------|--|---|
| Christopher Robert Koski | Canadian | 5th Floor Destinations Place Gatwick Airport Gatwick West Sussex RH6 0NP | Global Head of Infrastructure Finance of ADIA |
| Andrew Harvey Gillespie Smith | British | 5th Floor Destinations Place Gatwick Airport Gatwick West Sussex RH6 0NP | Principal of GIP |
| William Alan Woodburn | American | 5th Floor Destinations Place Gatwick Airport Gatwick West Sussex RH6 0NP | Operating Partner of GIP |
| Michael John McGhee | British | 5th Floor Destinations Place Gatwick Airport Gatwick West Sussex RH6 0NP | Transport Partner of GIP |

The secretary of Security Parent is TMF Corporate Administration Services Limited whose registered office is at 5th Floor, 6 St Andrew Street, London EC4A 3AE.

The directors of the Security Parent may engage in other activities and have other directorships. As a matter of English law, each director is under a duty to act honestly and in good faith with a view to the best interest of the Security Parent, regardless of any other directorship he or she may hold.

None of the directors of the Security Parent has any actual or potential conflict between their duties to the Security Parent and their private interests or other duties as listed above.

Principal Activities

The Security Parent was established as a private limited company and its principal activities are acting as, and in connection with being, a holding company.

Management and Control

The Security Parent is managed and controlled in London, United Kingdom.

Share Capital

The authorised share capital of the Security Parent is £100, comprising 100 shares of £1 each. The issued and paid up share capital of the Security Parent is £100 as at the date of this Prospectus.

Auditors

The auditors of the Security Parent are PricewaterhouseCoopers LLP with a registered office at First Point, Buckingham Gate, Gatwick, West Sussex RH6 0NT.

PricewaterhouseCoopers LLP is a registered auditor and is authorised by, and is a member of, the Institute of Chartered Accountants in England and Wales to practise in England and Wales.

SUMMARY OF THE FINANCING AGREEMENTS

The following is a summary of certain terms of the principal Transaction Documents, including the CTA, the STID, the Bond Trust Deed and the Security Documents and is qualified in its entirety by reference to the detailed provisions of the Transaction Documents. Potential investors should refer to "Cashflows", for a detailed description of the various priority of payment waterfalls.

The Issuer's assets, including without limitation its rights under the Transaction Documents, have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Bonds.

GENERAL OVERVIEW

The Finance Parties (which includes the Issuer) all benefit from common terms under their relevant debt instrument and a common security package granted by GAL and the Security Parent (as Obligors under the CTA). It is a requirement of the CTA that any future provider of an Authorised Credit Facility must accede to and be bound by the terms of the CTA (see " – *Common Terms Agreement*" below) and the intercreditor arrangements contained in the STID (see " – *Security Trust and Intercreditor Deed*" below). The Issuer, as provider of each loan to GAL corresponding to the proceeds of an issuance of Bonds, will also be party to and be bound by the CTA and the STID.

The CTA sets out the common terms applicable to the Borrower Loan Agreements and each other Authorised Credit Facility (which includes the Initial Authorised Credit Facility Agreement) into which GAL enters. Save for certain limited exceptions, no Finance Party can have additional representations, covenants, trigger events or loan events of default beyond the common terms deemed to be incorporated by reference into their Authorised Credit Facilities through their execution of, or accession to, the CTA.

The STID regulates among other things: (i) the claims of the Borrower Secured Creditors; (ii) the exercise and enforcement of rights by the Borrower Secured Creditors; and (iii) the giving of instructions, consents and waivers and, in particular, the basis on which votes of the Borrower Secured Creditors will be counted.

With the exception of certain Jersey law governed documents, all agreements listed below and non-contractual obligations arising out of or in connection with them will be governed by English law and subject to the exclusive jurisdiction of the English courts.

Common Terms Agreement

General

As noted above, all Finance Parties must accede to the CTA in respect of their Authorised Credit Facilities (including the Borrower Loan Agreements).

Other Borrower Secured Creditors which are party to the CTA include the Hedge Counterparties (see " – *Hedge Counterparties and the STID*"), the Liquidity Facility Providers (see " – *Liquidity Facility Agreement*") and the Initial ACF Finance Parties.

It is a requirement of the CTA that future providers of Authorised Credit Facilities must also accede to and be bound by the CTA and the STID. GAL will be able to incur additional Senior Debt (including in respect of amounts owed to the Issuer under the Borrower Loan Agreements and corresponding to additional Series of Class A Bonds) if, by reference to the most recently delivered financial statements (see " – *Information Covenants*" below), the Senior RAR, taking into account such indebtedness, is less than 0.70. However, if such financial indebtedness will be used to fund RAB-Eligible Capex, GAL will be able to incur additional Senior Debt if the Senior RAR, taking into account such indebtedness, is less than 0.725.

In addition, the Issuer is able to incur additional indebtedness in respect of Class B Bonds and lend the proceeds of those Bonds to GAL if GAL has first obtained a confirmation from the relevant rating agencies stating that the then rating of the Class A Bonds then outstanding would not be reduced as a result of the issuance of such Class B Bonds below the lower of (a) the credit rating of the Class A Bonds as at their Issue Date or (b) the then current rating of such Class A Bonds before the proposed issuance.

The CTA also sets out the cash management arrangements applicable to GAL (see " – *Borrower Cash Management*" below) and the hedging policy (see " – *Hedging*" below).

Representations

The Obligors make certain representations and warranties (subject to detailed carve-outs, exceptions and qualifications set forth in the CTA) to each Finance Party on the Establishment Date and the Initial Issue Date. These representations and warranties include the following as to:

- (a) its corporate status, power and authority and certain other legal matters;
- (b) non-conflict with documents binding on it (to an extent which has a Material Adverse Effect), constitutional documents, licences or laws;
- (c) accuracy of financial statements;
- (d) no existing default or Trigger Event;
- (e) compliance with obligations under the Transaction Documents;
- (f) consents, leases, licences, authorisations and approvals are obtained and complied with;
- (g) ownership of assets;
- (h) the ownership structure of the Security Group;
- (i) no rights to call for the issue or allotment of share capital;
- (j) insurances required to be maintained are in full force and effect;
- (k) no Insolvency Event in relation to it;
- (l) the choice of English law being recognised and enforced;
- (m) payment of all taxes and lack of deductions required in respect of payments under any Finance Document;
- (n) no claims, disputes or investigations being made or conducted against it with respect to Taxes;
- (o) no liability in respect of any Financial Indebtedness other than Permitted Financial Indebtedness or pursuant to a Permitted Transaction;
- (p) pensions;
- (q) raking and enforceability of security;
- (r) no current litigation;
- (s) the accuracy and completeness of each prospectus;

- (t) compliance with environmental laws and absence of environmental claims against it;
- (u) all arrangements or contracts with any person being on an arm's length basis;
- (v) its centres of main interests for the purpose of Council Regulation (EC) No 1346/2000;
- (w) intellectual property; and
- (x) ownership of land and the existence of encumbrances thereon.

The Initial Date Representations are deemed to be repeated by the relevant Obligor (by reference to the facts and circumstances existing at such time) on the date upon which any new Authorised Credit Facility is entered into and each Issue Date.

The Repeated Representations are deemed to be repeated by the relevant Obligor (by reference to the facts and circumstances existing at such time) on (i) the date of each utilisation request and the first day of any borrowing; (ii) each Payment Date; and (iii) in the case of an Obligor acceding to an Authorised Credit Facility, on the date of its accession.

Covenants

The CTA contains certain covenants from each of the Obligors. A summary of the covenants which are included in the CTA is set out in " – *Information Covenants*", and " – *Operating and Financial Covenants*" below.

Information Covenants

Prior to the occurrence of a Trigger Event, Borrower Secured Creditors will receive, either directly from GAL or through the agent or administrative representative party for their Authorised Credit Facility:

- (a) annual, audited and consolidated (which will include the Issuer) financial statements delivered within 120 days after the end of each financial year;
- (b) 6-month consolidated, unaudited financial statements delivered within 60 days after the end of the first half of the financial year;
- (c) annual regulatory accounts delivered within 120 days of the end of each regulatory year;
- (d) a copy of the annual capital expenditure budget delivered within 15 days of board approval and within 60 days of the end of the current financial year;
- (e) a copy of GAL's calculations of Projected Excess Cashflow for each financial year delivered not later than 15 days prior to the beginning of such financial year;
- (f) a Compliance Certificate, which will be delivered (i) at the same time as the financial statements referred to in (a), (b) and (c) above and (ii) within the required period as set forth in the Restricted Payment Condition. The Compliance Certificate will be published on the Designated Website and confirm information including:
 - (i) in respect of a Calculation Date falling in March, the actual Senior RAR and actual Senior ICR for the period of 12 months ending on such Calculation Date and the forecast Senior RAR and forecast Senior ICR for the 12 month period following such Calculation Date and each of the two subsequent 12 month periods;
 - (ii) in respect of a Calculation Date not falling in March:

- (A) the actual Senior ICR and actual Senior RAR for the period of 12 Months ending on that Calculation Date and the forecast Senior ICR and the forecast Senior RAR for the period to 31 March in the next subsequent calendar year and for the two subsequent 12 month periods from such 31 March;
 - (B) that the Senior ICR for the immediately preceding March Calculation Date has been recalculated and that the re-calculated Senior ICR "[is/is not] lower" than the Senior ICR which was determined as at the immediately preceding March Calculation Date; and if the recalculated Senior ICR "is lower", the re-calculated Senior ICR; and
 - (C) that the Senior RAR for the immediately preceding March Calculation Date has been recalculated and that the re-calculated Senior RAR "[is/is not] higher" than the Senior RAR which was determined as at the immediately preceding March Calculation Date; and if the recalculated Senior RAR "is higher", the re-calculated Senior RAR;
- (g) an Investor Report, which will be delivered (i) at the same time as the financial statements referred to in (a), (b) and (c) above and (ii) within the required period as set forth in the Restricted Payment Condition. The Investor Report will be published on the Designated Website and confirm information including:
- (i) in respect of a Calculation Date falling in March:
 - (A) the actual Senior RAR and actual Senior ICR for the period of 12 months ending on such Calculation Date and the forecast Senior RAR and the forecast Senior ICR for the period of 12 months starting on such Calculation Date; and
 - (B) if a Trigger Event is subsisting, the forecast Senior RAR and the forecast Senior ICR for the following two subsequent 12 month periods (see " – *Trigger Events - Trigger Event Consequences*" below);
 - (ii) in respect of a Calculation Date not falling in March:
 - (A) the actual Senior RAR and actual Senior ICR for the period of 12 months ending on such Calculation Date and the forecast Senior RAR and the forecast Senior ICR for the period of 12 months starting on such Calculation Date;
 - (B) that the Senior ICR for the immediately preceding March Calculation Date has been recalculated and that the re-calculated Senior ICR "[is/is not] lower" than the Senior ICR which was determined as at the immediately preceding March Calculation Date; and if the recalculated Senior ICR "is lower", the re-calculated Senior ICR;
 - (C) that the Senior RAR for the immediately preceding March Calculation Date has been recalculated and that the re-calculated Senior RAR "[is/is not] higher" than the Senior RAR which was determined as at the immediately preceding March Calculation Date; and if the recalculated Senior RAR "is higher", the re-calculated Senior RAR; and
 - (D) if a Trigger Event is subsisting (or occurs due to the re-calculated Senior RAR and/or Senior ICR values as set forth in (B) and (C) above), the forecast Senior RAR and/or the forecast Senior ICR for the following two subsequent 12 month periods (see " – *Trigger Event Consequences*" below); and

- (iii) an update regarding the business generally, any regulatory and business developments, the amount of capital expenditures, acquisitions and disposals and financing and hedging positions;
- (h) subject to any duty of confidentiality and any applicable legal or regulatory restrictions, certain other material information about the business and financial condition of each of the Obligor as may be requested or required to be delivered from time to time (on the instruction of the relevant Borrower Secured Creditors).

Each Obligor also undertakes to provide:

- (a) notification of any Default or Trigger Event (see "*Events of Default*" and "*Trigger Events*" below);
- (b) notification of the address of the Designated Website or notice if the Designated Website cannot be accessed or is infected by any electronic virus or similar software for a period of five Business Days; and
- (c) subject to any duty of confidentiality and any applicable legal or regulatory restrictions, details of any investigation or procedure involving any Regulator or other government authority where the subject matter of the enquiry investigation or proceeding of the subject matter would, or would be reasonably likely to, if adversely determined have a Material Adverse Effect.

The Obligors are required to provide certain additional information upon the occurrence of a Trigger Event (for a further description see "*Trigger Event Consequences*" below).

Operating and Financial Covenants

The covenants given by each of the Obligors include the following (subject to detailed carve-outs, exceptions and qualifications set forth in the CTA):

- (a) limiting its business to the Permitted Business;
- (b) operating and maintaining its business in accordance with its constitutional documents, Good Industry Practice and the requirements that the Regulators are entitled to impose;
- (c) obtaining and maintaining consents, licences, authorisations and approvals;
- (d) maintaining its corporate status;
- (e) complying with all judgments, laws, rules, regulations, agreements, orders or decrees;
- (f) ensuring that any unsecured and unsubordinated claims of the Secured Creditors against it under the Finance Documents will rank at least pari passu with all the claims of all its other unsecured and unsubordinated creditors;
- (g) negative pledge;
- (h) restrictions on disposals;
- (i) restrictions on incurrence of financial indebtedness;
- (j) complying with the Hedging Policy;
- (k) restrictions on mergers;

- (l) restrictions on acquisitions;
- (m) restrictions on joint ventures;
- (n) compliance with environmental laws;
- (o) notice of environmental claims;
- (p) maintaining necessary insurances and depositing proceeds in the Operating Accounts;
- (q) restrictions on the making of loans;
- (r) complying with cash management obligations (see " – *Borrower Cash Management*" below);
- (s) maintaining bank accounts which are separate from those of any other person or entity (other than any other Obligor);
- (t) no change to its constitutional documents without the prior written consent of the Borrower Security Trustee;
- (u) restrictions on redemption or issuance of share capital;
- (v) maintaining necessary intellectual property rights;
- (w) maintaining ratings of the Bonds and cooperating with Rating Agencies;
- (x) ensuring all transactions are entered into on arm's length terms;
- (y) ensuring compliance with prudent accounting standards;
- (z) completing all acts and things necessary to give effect to the terms of the relevant Finance Documents;
- (aa) to take all such actions necessary for the purpose of perfecting, protecting and preserving rights under the Security Documents;
- (bb) restrictions on settlements of claims;
- (cc) retention and replacement of auditors;
- (dd) restrictions on changes to its financial year end;
- (ee) restrictions on distributions to shareholders;
- (ff) complying with pension obligations and providing notices from the Pensions Regulator;
- (gg) restrictions on acquiring businesses with pension liabilities;
- (hh) no change of its centre of main interests for the purpose of Council Regulation (EC) No. 1346/2000
- (ii) paying Taxes; and
- (jj) complying with the Tax Deed.

Trigger Events

The CTA contains a separate category of events, the occurrence of which do not result in a default, but which do result in certain increased operational restrictions and requirements for GAL, including the prohibition of distributions to shareholders. This section describes these Trigger Events, their consequences and their remedies.

Trigger Event Types

The Trigger Events include:

- (a) a breach of the following financial ratios:
 - (i) the Senior RAR for any Calculation Date within the Relevant Period is or is forecast to be more than 0.70; or
 - (ii) the Senior ICR for any Calculation Date within the Relevant Period is or is forecast to be less than 1.50;
- (b) a credit rating downgrade of two or more of the long term public credit ratings of the Class A Bonds by two or more notches below the initial ratings assigned to the Class A Bonds;
- (c) the amount of GAL's unspent, budgeted, Capital Expenditure over the 12 months following the most recently occurring Calculation Date is more than the aggregate of:
 - (i) the undrawn available commitment under the Capex Facility as at such Calculation Date;
 - (ii) cash credited to the bank accounts of GAL or invested in Authorised Investments (excluding any Excluded Cash) as at such Calculation Date; and
 - (iii) Projected Excess Cashflow before Capex for such 12 month period;
- (d) the amount of the Issuer's estimated recurring fees and expenses, interest and equivalent finance charges for the 12 months following the most recently occurring Calculation Date on Issuer Senior Debt is more than the sum of any amounts available to the Issuer for drawing under the Liquidity Facility, plus any amounts in a liquidity standby account attributable to the Issuer's proportion under the Liquidity Facility or available to the Issuer in a liquidity reserve account as at such Calculation Date;
- (e) the amount of GAL's estimated recurring fees and expenses, interest and equivalent finance charges for the 12 months following the most recently occurring Calculation Date on Senior Debt is more than the sum of any amounts available to GAL for drawing under the Liquidity Facility, plus any amounts in a liquidity standby account attributable to the GAL proportion under the Liquidity Facility or available to GAL in a liquidity reserve account as at such Calculation Date;
- (f) the Issuer draws down under the Liquidity Facility (excluding any drawing or repayment of any Standby Drawing) or withdraws sums credited to a liquidity reserve account (if any) and the withdrawal results in the occurrence of a Trigger Event under paragraph (d) above;
- (g) GAL draws down under the Liquidity Facility (excluding any drawing or repayment of any Standby Drawing) or withdraws sums credited to a liquidity reserve account (if any) and the withdrawal results in the occurrence of a Trigger Event under paragraph (e) above;
- (h) an enforcement order or compliance order is issued under any applicable law or regulation (including any order made pursuant to section 41 of the Airports Act) if such order would reasonably be expected to have a Material Adverse Effect;

- (i) a notice is issued to terminate any licence required for the carrying on of the business of GAL or of any proposed or actual modification to any such licence which, if implemented, would reasonable be expected to have a Material Adverse Effect;
- (j) the commencement of the final reading of draft legislation in the House of Lords or the House of Commons (whichever occurs later) of legislation relating to the business of any Obligor if such legislation would (if enacted) reasonably be expected to have a Material Adverse Effect;
- (k) a Loan Event of Default is continuing (for further detail see " – *Events of Default*" below);
- (l) on any Calculation Date, the aggregate amount of all accretions by indexation to the notional amount of any inflation-linked treasury transactions exceeds 8% of RAB; and
- (m) the auditors of an Obligor qualify the audited consolidated (if applicable) financial statements of an Obligor, on the grounds that:
 - (i) the auditors have inadequate information;
 - (ii) the auditors are unable to prepare financial statements on a going concern basis; or
 - (iii) the qualification could be expected to be adverse to the interests of the Secured Creditors,
 in a manner or to an extent which would have a Material Adverse Effect.

Trigger Event Consequences

Following the occurrence of a Trigger Event and at any time until such Trigger Event has been waived or deemed remedied in accordance with the CTA, certain consequences will result, including:

- (a) a block on Restricted Payments;
- (b) in respect of the Trigger Events described in (d), (e), (f), (g) and (i) of " – *Trigger Event Types*" above, the Obligors must provide such information as may be requested by the Borrower Security Trustee and must provide written proposals for appropriate remedial action and related timetables and meet with the Borrower Secured Creditors to discuss such proposals. For all other Trigger Events described in the section entitled " – *Trigger Event Types*" above, this consequence also applies but only if such Trigger Event is continuing for 12 months or more;
- (c) the Investor Reports must contain additional Senior RAR and Senior ICR calculations as described in (g)(i)(B) and (g)(ii)(D) of " – *Information Covenants*" above;
- (d) provided the Trigger Event is continuing for 12 months or more, the Borrower Security Trustee may commission an independent review to be conducted by technical or other appropriate advisers to examine the causes of the relevant Trigger Event and recommend appropriate measures; and
- (e) provided the Trigger Event is continuing for 12 months or more, the Borrower Security Trustee will be entitled to participate in discussions with the Regulator regarding the Trigger Event and its remedy.

Trigger Event Remedies

At any time when an Obligor believes that a Trigger Event has been remedied in accordance with the detailed provisions of the CTA, it must provide the Borrower Security Trustee with a certificate signed by a director of the Obligor to that effect and provide such evidence in support of such certificate as the Borrower Security Trustee may reasonably require. In the case of the Trigger Events referred to in paragraphs (h) and

(k) of the section entitled " – *Trigger Event Types*" above, the Borrower Security Trustee must respond confirming that the relevant Trigger Event has, in its reasonable opinion, been remedied or setting out its reasons for believing that such Trigger Event has not been remedied. The Trigger Event will continue to be a Trigger Event until such time as the Borrower Security Trustee is reasonably satisfied that the Trigger Event has been remedied.

Events of Default

The CTA contains a number of events of default (the Loan Events of Default) which will be Loan Events of Default under each Finance Document (other than, in respect of the Hedge Counterparties, the Hedging Agreements and in respect of the Liquidity Facility Providers, the Liquidity Facility Agreement). Subject, in some cases and including, as stated below, to agreed exceptions, materiality thresholds and qualifications, reservations of law, grace periods and remedies, the Loan Events of Default are:

- (a) non-payment of amounts payable under the Finance Documents;
- (b) non-compliance with certain other obligations under the Finance Documents;
- (c) material misrepresentation;
- (d) insolvency of any Obligor or insolvency proceedings being commenced against any Obligor;
- (e) the occurrence of a default for non-payment under any Non-ACF Financial Indebtedness totalling more than 0.5% of RAB;
- (f) termination of any material licence or authorisation which is required for the carrying on of a material part of the Permitted Business of GAL or of the business of the Issuer where this would be expected to have a Material Adverse Effect;
- (g) repudiation, illegality or unenforceability of a Transaction Document or any material obligation contained therein;
- (h) any of the Security ceasing to be in full force and effect;
- (i) certain governmental action which would be reasonably likely to have a Material Adverse Effect;
- (j) any change in law which would be reasonably likely to have a Material Adverse Effect or any change in the insolvency regime applicable to an Obligor which would have an adverse material effect on the rights, interests and/or remedies of the Secured Creditors;
- (k) failure by any Obligor to comply with any final judgment;
- (l) an Obligor ceasing to carry on its business or a substantial part of its business which when such cessation has or would be expected to have a Material Adverse Effect;
- (m) commencement of proceedings against the Obligor or its assets;
- (n) the Senior RAR as at the most recently occurring Calculation Date is more than 0.85;
- (o) the Senior ICR as at the most recently occurring Calculation Date is or is less than 1.1;
- (p) non-compliance by any party to the Tax Deed; and
- (q) the occurrence of a Bond Event of Default.

In respect of the Loan Events of Default described in (n) and (o) above, no Loan Event of Default will have occurred if, within 30 days of the relevant Calculation Date, GAL procures that Additional SP Contributions are made and applied in prepayment of the Senior Debt such that the Senior RAR is lower than 0.85 and the Senior ICR is higher than 1.1.

The CTA also provides for an Accepted Restructuring Event regime where if there occurs an actual change in law or regulation and its effect would be to:

- (i) restrict the ability of GAL to grant fixed or floating security over all of its assets;
- (ii) restrict the ability of GAL to appoint an administrative receiver; or
- (iii) establish a special insolvency regime,

and, such proposed or actual change would otherwise result in the occurrence of a Trigger Event, a Potential Loan Event of Default or a Loan Event of Default as described in (j) above, then only a Trigger Event will arise until either (a) such event is remedied or (b) the date falling on the later of (1) twelve months after the date of the occurrence of the Trigger Event or (2) nine months after the date on which the relevant Loan Event of Default would (but for the Accepted Restructuring Event regime) have first occurred at which point (in the case of (b)) a Loan Event of Default will occur. Certain other Loan Events of Default (including relating to insolvency) are not included in this regime.

Borrower Cash Management

Operating Account

The CTA requires GAL to open and maintain the Operating Account with the Borrower Account Bank.

Under the CTA, GAL will ensure that all of its revenues (other than any interest or income on Authorised Investments and Standby Drawings) and all amounts drawn under its debt will be paid into the Operating Account or into the Borrower Liquidity Reserve Account. GAL will use the funds standing to the credit of the Operating Account and the Borrower Liquidity Reserve Account to make payments permitted pursuant to the Transaction Documents.

The Operating Account will be the sole current account of GAL through which all operating and capital expenditures, any Taxes incurred by GAL, distributions to shareholders and (subject to the terms of the Finance Documents) payments in respect of the Financial Indebtedness of the Security Group will be cleared.

Prior to the delivery of any Loan Enforcement Notice or Loan Acceleration Notice, payments from the Operating Account to a Borrower Secured Creditor will be paid in accordance with the pre-enforcement priority of payments waterfall which is set forth in detail in "Cashflows - Borrower Pre-Enforcement Priority of Payments".

Authorised Investments

The Security Group may invest in Authorised Investments from such part of the amounts standing to the credit of any of the Obligor Accounts from time to time as is prudent.

Application of Borrower Post-Enforcement Priority of Payments in certain circumstances

If, prior to the delivery of a Loan Enforcement Notice:

- (a) a Hedge Counterparty becomes entitled to terminate any treasury transaction under a Borrower Hedging Agreement due to non-payment or due to the occurrence of an additional termination event (as further described below in " – Hedging"); or
- (b) on any Payment Date there are insufficient funds available to the Obligors to pay in full all Borrower Secured Liabilities falling due for payment on such date,

then for so long as any such event is continuing unremedied or unwaived, the Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments (as described further in " – Security Trust and Intercreditor Deed - Enforcement and Acceleration" below and in "Cashflows - Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments") will apply and GAL will ensure that no amounts are applied in discharging any liabilities due to a Borrower Secured Creditor unless on the date such amounts are to be applied all sums then due and payable to each prior ranking Borrower Secured Creditor have been first discharged in full.

Liquidity Facility

Any amounts drawn by GAL in respect of a GAL Liquidity Shortfall either under the Liquidity Facility or from the Liquidity Standby Account shall be deposited in the Operating Account and paid in respect of paragraphs (a) to (f) (other than items (f)(i), (iii) and (iv)) (inclusive) in "Cashflows - Borrower Pre-Enforcement Priority of Payments" (excluding, for the avoidance of doubt, any termination payments and all other unscheduled amounts payable to any Borrower Hedge Counterparty).

Security Trust and Intercreditor Deed

General

The intercreditor arrangements in respect of the Security Group and the Issuer (the Intercreditor Arrangements) are contained in the STID and the CTA, and in relation to the Issuer, in the Issuer Deed of Charge (see " – Issuer Deed of Charge" below). The Intercreditor Arrangements bind each of the Secured Creditors (including the Issuer) and each of the Obligors.

The Borrower Secured Creditors will include all providers of Senior Debt that enter into or accede to the STID. Any new Authorised Credit Provider will be required to accede to the STID and the CTA. The STID also contains provisions restricting the rights of Subordinated Intragroup Creditors and contains mechanics requiring any creditors in respect of Subordinated Intragroup Liabilities to accede to the STID as a Subordinated Intragroup Creditor.

The purpose of the Intercreditor Arrangements is to regulate, among other things (a) the claims of the Secured Creditors; (b) the exercise, acceleration and enforcement of rights by the Secured Creditors; (c) the rights of the Secured Creditors to instruct the Borrower Security Trustee; (d) the Entrenched Rights and the Reserved Matters of the Secured Creditors; and (e) the giving of consents and waivers and the making of modifications to the Common Documents.

The Intercreditor Arrangements also provide for the ranking in point of payment of the claims of the Borrower Secured Creditors, both before and after the delivery of a Loan Acceleration Notice and for the subordination of all claims of Subordinated Intragroup Creditors, or claims among the Security Group. Each Borrower Secured Creditor and each Obligor give certain undertakings in the STID which serve to maintain the integrity of these arrangements. The Issuer Deed of Charge and Issuer Cash Management Agreement provide for the ranking in point of payment of the claims of the Issuer Secured Creditors (as described further in " – Issuer Deed of Charge" and " – Issuer Cash Management Agreement" below).

Modifications, Consents and Waivers

General

The STID contains detailed provisions setting out the voting and instruction mechanics in respect of (a) Ordinary Voting Matters; (b) Extraordinary Voting Matters; and (c) Entrenched Rights and Reserved Matters (as further described below in "*Types of Voting Categories*"). Subject to Entrenched Rights and Reserved Matters (which will always require the consent of all of the Secured Creditors in the case of Entrenched Rights, and, in the case of Reserved Matters, only, the relevant Secured Creditors who are affected) and Extraordinary Voting Matters, the Borrower Security Trustee will only agree to any modification of or grant any consent or waiver under the Common Documents with the consent of or if so instructed by the relevant majority of Participating QBS Creditors (the Majority Creditors) provided that the relevant Quorum Requirement has been met.

GAL is entitled to provide the Borrower Security Trustee with written notice requesting any consent or waiver it requires under or in respect of any Common Document (a STID Proposal). The notice will certify whether such STID Proposal is a Discretion Matter, an Ordinary Voting Matter or an Extraordinary Voting Matter or whether it gives rise to an Entrenched Right (as further described in "*Types of Voting Categories*" below) and stating the Decision Period (as further described in "*Decision Periods*" below). If the STID Proposal is in relation to a Discretion Matter, GAL must also provide a certificate evidencing this status. If the STID Proposal is in relation to an Entrenched Right, GAL must include information as to the Secured Creditors who are affected by such Entrenched Right.

The Borrower Security Trustee will, within five Business Days of receipt of a STID Proposal, send a request (the STID Voting Request) in respect of any Ordinary Voting Matter, Extraordinary Voting Matter or Entrenched Right to each Qualifying Borrower Secured Creditor (through its Secured Creditor Representative, which in respect of the Issuer shall be the Bond Trustee for each corresponding Sub-Class of Bonds). If the STID Proposal gives rise to an Entrenched Right, the STID Voting Request will contain a request that each relevant Affected Borrower Secured Creditor (including where the Issuer is an Affected Borrower Secured Creditor, each Issuer Secured Creditor who is affected) confirm whether or not it wishes to consent to the relevant STID Proposals that would affect the Entrenched Right.

The Qualifying Borrower Secured Creditors representing at least 10% of the Qualifying Borrower Debt are able to challenge GAL's determination of the voting category of a STID Proposal. In addition, the Secured Creditors, through their respective Secured Creditor Representatives, are able to challenge GAL's determination as to whether there is an Entrenched Right, subject to such dissenting creditors providing supporting evidence or substantiation for their disagreement with such determination. Challenging creditors that comply with the foregoing requirements may instruct the Borrower Security Trustee to inform GAL in writing within ten Business Days of receipt of the relevant STID Voting Request that they disagree with GAL's determination and specifying, as applicable, the voting category they propose should apply or whose Entrenched Right is affected along with the required supporting evidence. GAL and the relevant Qualifying Borrower Secured Creditors and/or relevant Borrower Secured Creditors will agree the voting category or whether there is an Entrenched Right within ten Business Days from receipt by GAL of the relevant notice from the Borrower Security Trustee. If they are unable to agree within this time, or if no agreement can be reached, then an appropriate expert will make a decision as to the voting category or whether there is an Entrenched Right which decision will be final and binding on each of the parties.

Types of Voting Categories

Ordinary Voting Matters

Ordinary Voting Matters include all matters which are not designated as Extraordinary Voting Matters or Discretion Matters (see "*Extraordinary Voting Matters*" and "*Discretion Matters*" below). If the

Quorum Requirement is met (see " – *Quorum Requirements*" below), a resolution in respect of an Ordinary Voting Matter may be passed by a simple majority of the Qualifying Borrower Debt that was voted.

Extraordinary Voting Matters

The STID also describes the treatment of Extraordinary Voting Matters. If the Quorum Requirement for an Extraordinary Voting Matter is met (see " – *Quorum Requirements*" below), the majority required to pass a resolution in respect of an Extraordinary Voting Matter will be at least 75% of the Participating QBS Creditors by reference to the Outstanding Principal Amount of the aggregate Voted Qualifying Debt of such Participating QBS Creditors.

Entrenched Rights

Entrenched Rights are rights that cannot be modified or waived in accordance with the STID without the consent of the Affected Borrower Secured Creditor(s). When the Affected Borrower Secured Creditor is the Issuer, consent must be obtained from each affected Issuer Secured Creditor.

Reserved Matters

Reserved Matters are matters which, subject to the STID and the CTA, a Borrower Secured Creditor is free to exercise in accordance with its own debt instrument including:

- (a) to receive any sums owing to it for its own account;
- (b) to make determinations of and require the making of payments due and payable to it;
- (c) to exercise the rights vested in it or permitted to be exercised by it under and pursuant to the terms of the CTA, the STID and the other Finance Documents;
- (d) to receive notices under the Finance Documents;
- (e) to assign its rights or transfer any of its rights and obligations under any Authorised Credit Facility to which it is a party subject to the provisions of the STID; and
- (f) in the case of each Hedge Counterparty, (i) to terminate the relevant Hedging Agreement provided such termination is a Permitted Hedge Termination or to terminate the relevant Hedging Agreement in part and amend the terms of the Hedging Agreement to reflect such partial termination or (ii) to exercise rights permitted to be exercised by it under a Hedging Agreement.

Discretion Matters

The Borrower Security Trustee may (but is not obliged to) make modifications to the Finance Documents without the consent of any other Secured Creditor where such modifications, consents or waivers:

- (a) in the opinion of the Borrower Security Trustee, are:
 - (i) to correct manifest errors or an error in respect of which an English court could reasonably be expected to make a rectification order; or
 - (ii) of a formal, minor, administrative or technical nature,
- (b) would not, in the opinion of the Borrower Security Trustee materially prejudice the interests of any of the Qualifying Borrower Secured Creditors.

Quorum Requirements

Pursuant to the terms of the STID, the Quorum Requirement is (a) in respect of an Ordinary Voting Matter, one or more Participating QBS Creditors representing in aggregate at least 20% of the entire Outstanding Principal Amount of all Qualifying Borrower Debt, (b) in respect of an Extraordinary Voting Matter, one or more Participating QBS Creditors representing, in aggregate, at least 50% of the entire Outstanding Principal Amount of all Qualifying Borrower Debt. If the Quorum Requirement for an Extraordinary Voting Matter is not met by the Business Day immediately preceding the last day of the Decision Period (as described further below in " – *Decision Periods*"), the Decision Period will be extended and the Quorum Requirement will reduce to 20% of the aggregate Outstanding Principal Amount of all Qualifying Borrower Debt.

Decision Periods

The STID includes provisions specifying the relevant decision periods within which votes must be cast (each a Decision Period) which period must not be less than (a) ten Business Days from the date of delivery of the STID Proposal for any Discretion Matter; (b) ten Business Days from the date of receipt of the relevant STID Voting Request, or if there is an agreement or determination that the original STID Voting Request is incorrect, the date of receipt of the amended STID Voting Request (the Decision Commencement Date) for any Ordinary Voting Matter; (c) 15 Business Days from the Decision Commencement Date for any Extraordinary Voting Matter and (d) 15 Business Days from the Decision Commencement Date for an Entrenched Right. However, the Decision Period for an Entrenched Right for which the Issuer is the Affected Borrower Secured Creditor will not be less than 45 days.

In the case of an Extraordinary Voting Matter for which the Quorum Requirement has not been met during the initial Decision Period, the Decision Period may be extended for a further ten days to allow for a second vote at the lower quorum threshold (as further described in " – *Quorum Requirements*" above).

Modifications, consents and waivers will be passed by the requisite number of creditors as further described in " – *Types of Voting Categories*" above.

Qualifying Borrower Debt

General

Creditors to whom Qualifying Borrower Debt is owed are entitled to vote the amount of such debt when consenting to proposals made by GAL or instructing the Borrower Security Trustee to take action in accordance with the STID. Qualifying Borrower Debt means Qualifying Borrower Senior Debt prior to repayment in full of the Senior Debt and Qualifying Borrower Junior Debt following such repayment.

Subject to Entrenched Rights and Reserved Matters, prior to payment in full of the Qualifying Borrower Senior Debt, only the relevant Qualifying Borrower Senior Creditors that are owed, or deemed to be owed, Qualifying Borrower Senior Debt may vote (through their Secured Creditor Representatives). Upon repayment in full of the Qualifying Borrower Senior Debt, only the Qualifying Borrower Junior Creditors that are owed, or deemed to be owed, Qualifying Borrower Junior Debt may vote (through their Secured Creditor Representatives).

Qualifying Borrower Senior Debt

Qualifying Borrower Senior Debt is comprised of (a) the principal amount outstanding that is owed to the Issuer by GAL under any Borrower Loan Agreements and corresponding to the Class A Bonds, (b) the market-to-market value which would be payable in respect of closed out cross-currency hedging transactions if an early termination date was designated at such time under the cross currency hedging transactions in respect of Class A Bonds, (c) the principal amounts outstanding or committed designated as Senior Debt

under the Initial Authorised Credit Facility Agreement and (d) the principal amounts outstanding or committed under any other Authorised Credit Facility ranking pari passu with (a), (b) and (c).

Qualifying Borrower Junior Debt

Qualifying Borrower Junior Debt is comprised of (a) the principal amount outstanding that is owed to the Issuer by GAL under the Borrower Loan Agreements and corresponding to Class B Bonds, (b) the market-to-market-value which would be payable in respect of closed out cross-currency hedging transactions if an early termination date was designated at such time under the cross currency hedging transactions in respect of Class B Bonds, (c) the principal amounts outstanding designated as Junior Debt under the Initial Authorised Credit Facility Agreement and (d) the principal amounts outstanding under any other Authorised Credit Facility ranking pari passu with (a), (b) and (c).

Certification of amounts of Qualifying Borrower Debt

Each Qualifying Borrower Secured Creditor must certify to the Borrower Security Trustee the relevant amount of the Qualifying Borrower Debt that it is permitted to vote within five Business Days of delivery of the applicable notice from the Borrower Security Trustee. If any Qualifying Borrower Secured Creditor fails to provide such certification through its Secured Creditor Representative within the time required, then the Borrower Security Trustee will notify GAL of such failure. GAL must promptly inform the Borrower Security Trustee of the Outstanding Principal Amount of Qualifying Borrower Debt of such Qualifying Borrower Secured Creditor and such notification will be binding on the relevant Qualifying Borrower Secured Creditors except in the case of manifest error and without liability to GAL.

Tranching of Qualifying Borrower Debt and Determination of Voted Qualifying Debt for which the Issuer is a Creditor

As described in the section " – *Qualifying Borrower Debt*" above, amounts owed to the Issuer by GAL under the Borrower Loan Agreements are included in the Qualifying Borrower Senior Debt and/or the Qualifying Borrower Junior Debt. However, the Issuer Secured Creditors, as opposed to the Issuer itself, are entitled to vote in respect of such amounts. When the Bond Trustee (as the Issuer's Secured Creditor Representative) casts its votes on the Issuer's behalf, it will do as instructed by the relevant Issuer Secured Creditors. The Qualifying Borrower Senior Debt or the Qualifying Borrower Junior Debt, as the case may be, corresponding to the Bonds outstanding will be divided into tranches as set out below.

In the case of (a) and (b) of Qualifying Borrower Senior Debt (as described further in " – *Qualifying Borrower Senior Debt*" above):

- (a) a tranche for the holders of each Sub-Class of Class A Bonds equal to the aggregate Principal Amount Outstanding of each Sub-Class of the Class A Bonds; and
- (b) a tranche for each Cross Currency Hedge Counterparty in relation to Class A Bonds in respect of all transactions arising under the relevant Issuer Hedging Agreements equal to the Outstanding Principal Amount of the relevant Issuer Hedging Agreements.

In the case of (a) and (b) of Qualifying Borrower Junior Debt (as described further in " – *Qualifying Borrower Junior Debt*" above):

- (a) a tranche for the holders of each Sub-Class of Class B Bonds equal to the aggregate Principal Amount Outstanding of each Sub-Class of the Class B Bonds; and
- (b) a tranche for each Cross Currency Hedge Counterparty in relation to Class B Bonds in respect of all transactions arising under the relevant Issuer Hedging Agreements equal to the Outstanding Principal Amount of the relevant Issuer Hedging Agreement.

Holders of the each Sub-Class of Class A Bonds will vote in respect each Class A Bond voting tranche, and following repayment in full of the Senior Debt, holders of each Sub-Class of Class B Bonds will vote in respect of each Class B Bond voting tranche in accordance with the voting procedures set out in the Bond Trust Deed. A vote by the holder of a specified Principal Amount Outstanding of Bonds of any Sub-Class will be deemed to be a vote by the Issuer in respect of the same principal amount of the corresponding Class A Bond or Class B Bond voting tranche as described above.

Decisions by Bondholders as described in (a) and (c) above will be determined on a "pound for pound" basis between votes cast in favour and votes cast against. Votes cast in favour and votes cast against will then be aggregated by the Borrower Security Trustee with the votes cast for and against by the other Qualifying Borrower Secured Creditors.

When voting in respect of each cross currency voting tranche, each Issuer Hedge Counterparty will vote the Outstanding Principal Amount of all transactions arising under each Cross Currency Hedging Agreement to which it is a party in respect of the relevant Class of Bonds. A vote by an Issuer Hedge Counterparty in respect of the Outstanding Principal Amount of a Cross Currency Hedging Agreement will be deemed to be a vote by the Issuer in respect of the same Outstanding Principal Amount of the corresponding Cross Currency Hedging Agreement voting tranche.

Decisions by each Issuer Hedge Counterparty will not be divided between votes cast in favour or against but will be a single vote of such amount in relation to all transactions under the relevant Cross Currency Hedging Agreement.

Only principal amounts of the relevant voting tranches that vote on a proposed resolution within the Decision Period will be counted towards the Quorum Requirement.

QBS Creditor Instructions

Qualifying Borrower Secured Creditors with at least 10% of the aggregate Outstanding Principal Amount of all Qualifying Borrower Debt may instruct the Borrower Security Trustee to exercise any of the rights granted to the Borrower Security Trustee under the Common Documents and (i) to appoint a person specified by such Qualifying Borrower Secured Creditor(s) to investigate the calculations contained in any Compliance Certificate; and (ii) following delivery of a Loan Enforcement Notice but prior to delivery of a Loan Acceleration Notice to send a Further Enforcement Instruction Notice.

Enforcement and Acceleration

Following a Loan Event of Default and for so long as it is continuing, the Borrower Security Trustee will request an instruction from the Qualifying Borrower Secured Creditors (through their Secured Creditor Representatives) as to whether the Borrower Security Trustee should deliver a Loan Enforcement Notice to enforce all or part of the Borrower Security and/or deliver a Loan Acceleration Notice to accelerate all of the obligations secured under the Borrower Security.

When voting on an Enforcement Instruction Notice:

- (a) the Quorum Requirement will be one or more Participating QBS Creditors representing, in aggregate, at least 33 $\frac{1}{3}$ % of the aggregate Outstanding Principal Amount of all Qualifying Borrower Debt;
- (b) the Decision Period will be ten Business Days from the date of delivery of the Enforcement Instruction Notice or Further Enforcement Instruction Notice; and
- (c) the majority required to pass the resolution will be more than 50% of the Voted Qualifying Debt.

Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments

After delivery to GAL of a Loan Enforcement Notice, but prior to the delivery of a Loan Acceleration Notice, the whole of the Borrower Security will become enforceable. Subject to certain matters and to certain exceptions, following an enforcement, any proceeds of enforcement or other monies held by the Borrower Security Trustee under the STID will be applied by the Borrower Security Trustee in accordance with the Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments waterfall. See "*Cashflows - Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments*" for a detailed description.

Borrower Post-Enforcement (Post-Acceleration) Priority of Payments

Upon delivery to GAL of a Loan Acceleration Notice all Borrower Secured Liabilities will be accelerated in full. Subject to certain matters and to certain exceptions following an acceleration, any proceeds of acceleration or monies held by the Borrower Security Trustee under the STID will be applied by the Borrower Security Trustee in accordance with the Borrower Post-Enforcement (Post-Acceleration) Priority of Payments waterfall. See "*Cashflows - Borrower Post-Enforcement (Post-Acceleration) Priority of Payments*" for a detailed description.

Permitted Enforcement – Liquidity Facility Agent

Prior to the delivery of a Loan Enforcement Notice and/or Loan Acceleration Notice, if an Obligor has defaulted on any payment obligation under the Liquidity Facility Agreement, the Liquidity Facility Agent shall be entitled to exercise any right against any Obligor to recover any amounts due and payable under the Liquidity Facility Agreement.

Distressed Disposals

On the occurrence of a Distressed Disposal the Borrower Security Trustee may, without any consent from any Borrower Secured Creditor, release any Borrower Security as is required to effect the disposal in accordance with the STID. The net proceeds of disposal are to be applied in accordance with priorities of payments (see the section "*Enforcement and Acceleration*" above and "*Cashflows*").

Conditions Precedent

The conditions precedent to among other things the signing of the CTA, the Establishment Date, the Initial Issue Date and the initial utilisation under the Initial Authorised Credit Facility Agreement are set out in a conditions precedent agreement (the CP Agreement) as agreed between, among others, the Bond Trustee, the Borrower Security Trustee and the Obligors.

Borrower Security Agreement

Security

Pursuant to the Borrower Security Agreement between GAL, the Security Parent and the Borrower Security Trustee, the obligations set forth thereunder became effective on the Initial Issue Date. Under the Borrower Security Agreement the Security Parent guarantees the obligations of each other Obligor under the Finance Documents and each of GAL and the Security Parent grant a security interest over all of their assets (subject to certain limited exceptions).

The security constituted by the Borrower Security Agreement is expressed to include, amongst other things:

- (a) first fixed charges over:

- (i) the shares in GAL and the Issuer including all dividends, interest and other monies payable in respect thereof and all other rights related thereto;
 - (ii) GAL's and the Security Parent's right, title and interest from time to time in and to certain land and other real property and the proceeds of any disposal thereof;
 - (iii) all present and future plant, machinery, office equipment, computers, vehicles and other chattels;
 - (iv) all monies standing to the credit of GAL's bank accounts;
 - (v) certain Intellectual Property Rights owned by GAL and the Security Parent;
 - (vi) uncalled capital and goodwill;
 - (vii) each Authorised Investment;
 - (viii) all present and future book debts; and
 - (ix) all benefit in respect of its insurances;
- (b) an assignment of GAL's and the Security Parent's right in respect of all Transaction Documents and other designated material contracts; and
- (c) a first floating charge of the whole of the undertaking of GAL and the Security Parent.

Any entity acquired or established by GAL at any time following the Initial Issue Date which becomes a New Obligor under the STID will be required to accede to the Borrower Security Agreement as an Obligor and provide supplementary security and a guarantee of GAL's obligations under the Finance Documents.

Hedging

For the purposes of this Section, Group means the Security Parent and its Subsidiaries including the Issuer.

Hedge Counterparties and the STID

Each Hedge Counterparty will become a Borrower Secured Creditor party to the STID and the CTA and, in the case of such a treasury transaction with the Issuer, the Issuer Deed of Charge.

Cross Currency Hedge Counterparties are able to vote on STID Proposals in respect of the market-to-market value of any transactions in respect of the Class A and Class B Bonds only to the extent that such value represents an amount which would be payable to them if an early termination date was designated in respect of such transactions and such transactions are closed out at such time (see " – *Security Trust and Intercreditor Deed - Qualifying Borrower Debt*" above).

Payments owed to the Hedge Counterparties under Rate Hedging Agreements in respect of scheduled amounts and unscheduled amounts (including termination payments) will rank senior to or pari passu with interest or principal payments on Senior Debt (see " – *Security Trust and Intercreditor Deed - Enforcement and Acceleration*" above).

General Principles

GAL and the Issuer are the only members of the Group permitted to enter into Hedging Agreements.

The purpose of the hedging policy is to manage the exposure of the Group to fluctuations in interest rates, currencies and other financial or operational risks. No member of the Group will enter into treasury transactions for the purpose of speculation, but rather only to manage risk inherent in its business or financings. Subject to the approvals contemplated above, the Hedging Policy will be reviewed from time to time by the Group and amended (subject to and in accordance with the provisions of the STID) as appropriate in line with market developments, regulatory developments, Good Industry Practice and the Group's funding arrangements and requirements.

Currency Risk Principles

The Group must not (after taking into account any natural hedging arising from operating income of the Group received in currencies other than sterling and any Cross Currency Hedging Agreement to which GAL or the Issuer is party) bear currency risk in respect of any foreign currency denominated debt instruments (excluding any fees payable in respect of any foreign currency denominated Authorised Credit Facility).

GAL will be permitted to enter into currency hedges to hedge any non-sterling revenues or expenditures provided that such hedging is entered into in the ordinary course of business and not for speculative purposes. The counterparties under such hedging arrangements will not be required to be party to the STID and will not benefit from the Borrower Security or have any voting rights. GAL will be permitted to provide collateral support in respect of such hedging arrangements.

Interest Rate Risk Principles

The Group may hedge its exposure to interest rate risk through a combination of cash balances, Authorised Investments and derivative instruments such as interest rate swaps and/or inflation swaps, subject to the parameters detailed below. The Group will not, at any time enter into non-sterling denominated interest rate swaps or inflation swaps except as part of a Cross Currency Hedging Agreement.

The Group will hedge its exposure to interest rate risk on its interest outgoings such that (without double counting) any basis swaps and, in the case of the Issuer, amounts receivable under the Borrower Loan Agreements:

- (a) at least 75% of the Relevant Debt of the Group from time to time effectively bears either a fixed rate of interest or inflation-linked rate of interest until the end of the then current Regulatory Period; and
- (b) at least 50% of the Relevant Debt of the Group from time to time effectively bears either a fixed rate of interest or inflation-linked rate of interest until the immediately following Regulatory Period.

Relevant Debt means (without double counting) the aggregate, at the time, of the outstanding:

- (a) Qualifying Borrower Senior Debt, excluding for these purposes any mark-to-market value of any transactions under Cross Currency Hedging Agreements and the principal amount outstanding under the Revolving Facility at such time;
- (b) Qualifying Borrower Junior Debt, excluding for these purposes any mark-to-market value of any transactions under Cross Currency Hedging Agreements;
- (c) the Principal Amount Outstanding under the Class A Bonds; and
- (d) the Principal Amount Outstanding under the Class B Bonds,

provided that for the purposes of calculating Relevant Debt only, non-sterling denominated debt shall be deemed to be converted to sterling at the rate specified in the relevant Cross Currency Hedging Agreement related to the relevant non-sterling denominated debt.

The Group will not, at any time, hedge its exposure to interest rate risk such that the Total Notional Hedged Amount (defined below) exceeds 102.5% of the sum of the Relevant Debt (the Hedging Limit). The Total Notional Hedged Amount will be the aggregate, at the time, of (a) the outstanding notional amount of treasury transactions under the relevant Hedging Agreements which are interest rate swap transactions and inflation swap transactions (excluding, prior to (but including upon and following) any Loan Event of Default, any Pre-hedges (as defined below) and excluding the notional amount of any treasury transactions which are inflation swap transactions which do not provide for any payment obligations referenced to floating rate interest) and (b) the outstanding principal amount of the Fixed-rate Debt and provided that the Total Notional Hedged Amount shall be calculated by netting the Notional Amount (as defined in the relevant Hedging Agreements) of any Treasury Transaction to which a member of the Group is a party against the Notional Amount (as defined in the relevant Hedging Agreements) of any Treasury Transaction to which a member of the Group is a party and which provide for opposite payment obligations. Fixed-rate Debt is the aggregate, at the time, of the outstanding Relevant Debt that bears either a fixed rate of interest or inflation-linked return.

The Group will, in addition, be permitted to enter into derivative instruments such as forward starting interest rate swap transactions and/or inflation rate swap transactions (the Pre-hedges). Any Pre-hedge must have an effective date no later than 24 months from the date of entry into such treasury transaction and must be hedging Financial Indebtedness which is projected to be incurred within 24 months from the execution date and which is not projected to breach the Additional Indebtedness Tests at the projected date of incurrence. Subject to no Loan Event of Default having occurred, such Pre-hedges will not count towards the Hedging Limit prior to the applicable effective date of the relevant Pre-hedge.

Other Hedging Risk Principles

GAL will be permitted to enter into hedges (including, but not limited to, index-linked instruments) to hedge its forecast operating revenues or operating or capital expenditures (including, but not limited to, electricity price hedging and commodities hedging in respect of materials required for development projects). This hedging must be entered into in the ordinary course of business, relate to the business requirements of GAL and not be for speculative purposes. The counterparties under such hedging arrangements will not be required to be party to the STID and will not benefit from the Borrower Security or have any voting rights. GAL will be permitted to provide collateral support in respect of such hedging arrangements.

Principles relating to Hedge Counterparties and Hedging Agreements

All Hedging Agreements and Pre-hedges must comply upon their execution with the requirements set out in the then current Rating Agency Criteria at the time the Hedging Agreement is entered into unless the Rating Agencies providing the ratings for the outstanding Bonds have confirmed that the previous Rating Agency Criteria remains acceptable.

The Issuer or, as applicable, GAL will only enter into a Hedging Agreement with a Hedge Counterparty if such Hedging Agreement limits the termination events thereunder in accordance with the hedging policy including as follows:

- (a) non-payment or non-delivery by the Issuer or, as applicable, GAL, under such Hedging Agreement;
- (b) certain insolvency events affecting the Issuer or, as the case may be, GAL;
- (c) any termination event under the relevant Hedging Agreement relating to illegality (as defined in the relevant Hedging Agreement);
- (d) certain tax events;
- (e) redemption of the Relevant Debt hedged by such treasury transactions;

- (f) following the delivery of a Loan Acceleration Notice or a Bond Enforcement Notice;
- (g) GAL and/or the Issuer (as applicable) do not comply with the Hedging Limit;
- (h) to the extent that the aggregate notional amount of Treasury Transactions which hedge any particular portion of non-sterling denominated Relevant Debt at that time exceeds the outstanding principal amount of such debt in which event each such Treasury Transaction shall be terminated on a pro rata basis;
- (i) to the extent that the aggregate notional amount of treasury transactions which hedge any particular portion of the Fixed-rate Debt exceeds the outstanding principal amount of such debt, in which event such treasury transaction will be terminated on a pro rata basis;
- (j) in the case of any Pre-hedges and/or any other inflation or interest rate swap transactions, (i) pursuant to any mandatory termination provision in the relevant Hedging Agreement or (ii) in respect of the Pre-hedge only, to the extent that the projected Financial Indebtedness is not incurred as projected or has been incurred and the relevant pre-hedging is no longer required;
- (k) prior to the effective date of a Pre-hedge and in respect of such Pre-hedge only, any of the events outlined in section 5(a) and section 5(b) of the relevant Hedging Agreement; and
- (l) upon agreement between the parties.

Where GAL and the Issuer have entered into back-to-back hedge agreements, GAL and the Issuer shall terminate any such back-to-back transactions immediately upon and to the extent of any termination of corresponding Treasury Transaction by the Issuer and the relevant Hedge Counterparty as permitted by the terms of the Hedging Policy.

All Hedging Agreements must be entered into in the form, as amended by the parties thereto, of the 1992 ISDA Master Agreement (Multicurrency – Cross Border), the 2002 Master Agreement published by ISDA or any successor thereto published by ISDA unless otherwise agreed by the Borrower Security Trustee.

OTHER FINANCE DOCUMENTS

Initial Authorised Credit Facility Agreement

GAL and the Initial ACF Arrangers entered into the Initial Authorised Credit Facility Agreement on the Establishment Date. Credit facilities were made available to GAL by the Original ACF Lenders which comprise:

- (a) a £620,000,000 Term Facility to fund the refinancing of the Existing Term Facility and (to the extent drawn) the Existing Capex Facility, the payment of fees, costs, expenses, stamp, registration and other taxes incurred in connection with the refinancing and the payment by GAL (and, in turn, its successive holding companies as GAL, or they, as applicable, will determine) of a dividend in an amount determined by GAL. The Term Facility was only available on the Initial Issue Date;
- (b) a £300,000,000 Capex Facility to fund:
 - (i) RAB-Eligible Capex,
 - (ii) refinancing RAB-Eligible Capex (other than RAB-Eligible Capex which is or had been supported by any Capex Independent LC Arrangements) or refinancing Capital Expenditure which, when made, was not RAB-Eligible Capex but which has subsequently qualified as

RAB-Eligible Capex and, in each case, was incurred in the previous Relevant Period or the current Relevant Period, and

- (iii) the provision of cash collateral as part of its Capex Independent LC Arrangements in respect of LC Supported RAB-Eligible Capex.

The Capex Facility is available from and including the Initial Issue Date to and including 3 November 2014; and

- (c) a £50,000,000 Revolving Facility towards general corporate and working capital purposes (but not towards payment of any amount referred to in paragraph (a) above, acquisitions of companies, businesses or undertakings, payment of any principal in respect of any Term Facility Loan or Capex Facility Loan or, in the case of any utilisation of any Ancillary Facility, towards prepayment of any Revolving Facility Loan). The Revolving Facility is available for the period from and including the Initial Issue Date to and including 3 November 2014. The Revolving Facility is subject to clean-down provisions requiring the facility to be repaid in full for a period of not less than five successive Business Days in each 12 month period elapsing after the Initial Issue Date and is subject to a minimum period of three months between clean-down periods.

The facilities made available under the Initial Authorised Credit Facility Agreement will mature on 3 December 2014.

The Obligors make representations and warranties, covenants and undertakings to the Initial ACF Finance Parties on the terms set out in the CTA.

The Loan Events of Default under the CTA apply under the Initial Authorised Credit Facility Agreement.

The ability of the Initial ACF Finance Parties to accelerate any sums owing to them under the Initial Authorised Credit Facility Agreement upon or following the occurrence of a Loan Event of Default thereunder is subject to the STID. However, no further drawings may be made under the Initial Authorised Credit Facility Agreement following the occurrence of a Loan Event of Default which is continuing.

Borrower Loan Agreements

General

On or prior to the issuance by the Issuer of a Sub-Class or Class of Bonds under the Programme, the Issuer, GAL and the Borrower Security Trustee will enter into a Borrower Loan Agreement, the terms of which will be agreed at the relevant time, and the aggregate proceeds of the issuance of such Sub-Class or Class of Bonds will be on-lent to GAL under such Borrower Loan Agreement, except that, in relation to any issuances of Bonds which are fungible with an existing issuance of a Sub-Class or Class of Bonds, the Issuer will make available further facilities under the Borrower Loan Agreement relating to such existing issuance of a Sub-Class or Class of Bonds in an aggregate amount equal to the proceeds of each such new issuance under the terms of such Borrower Loan Agreement.

Each Advance (or each Sub-Advance together making a single Advance) made under a Borrower Loan Agreement will correspond to the principal amount of each Sub-Class or Class of Bonds issued on the corresponding Issue Date such that the economic terms of each Advance match the economic terms of the corresponding Sub-Class or Class of Bonds. The making of each Advance will be subject to the satisfaction of the conditions precedent set out in the relevant Borrower Loan Agreement, which will include a condition that the Security Parent will be an Obligor in respect of that Advance.

Matching of obligations

As each Advance is structured and tranching to match the tenor, interest rate and payment dates of each, Sub-Class of Bonds, the Advances have characteristics that demonstrate capacity to produce funds to service any payments due and payable under each, Sub Class or Class of the Bonds.

Advances

All Advances made or to be made by the Issuer under each Borrower Loan Agreement are or will be in amounts and at rates of interest (or such discount or indexed amount) corresponding to amounts and rates set out in the relevant Final Terms and will have interest periods which match the Interest Periods for the corresponding Tranche, Sub-Class or Class of Bonds but will have interest payment dates three Business Days prior to the Interest Payment Date on the related Sub-Class or Class of Bonds. Interest on each Advance made under each Borrower Loan Agreement will accrue from the date of such Advance. In addition, each Advance will be repayable on the Business Day falling three Business Days prior to the Scheduled Redemption Date in respect of the related Bonds together with any accrued but unpaid ongoing facility fees.

Prepayments

If GAL is required to prepay amounts outstanding under a Borrower Loan Agreement, it will prepay the relevant Advances or part thereof together with accrued interest, any prepayment fees and other break fees, costs and expenses and where applicable any make-whole amounts, then payable under a Borrower Loan Agreement and other relevant Transaction Documents to correspond to the amounts payable by the Issuer in respect of the corresponding early redemption of the corresponding Sub-Class or Class of Bonds.

Fees

In consideration for the Issuer agreeing to make the Advances available under a Borrower Loan Agreement, GAL will agree to pay to the Issuer the initial and ongoing facility fees set out in the relevant Borrower Loan Agreement.

Prior to an Issue Date, GAL shall pay on behalf of the Issuer by way of the initial facility fee any expenses of the Issuer reasonably incurred in connection with the issue of Bonds including, inter alia, the fees and expenses of the Bond Trustee, the Issuer Security Trustee, the Agents, the Issuer Cash Manager, the Issuer Account Bank, the Issuer Corporate Administration Providers, the Issuer's legal advisers, accountants and auditors and any amounts payable to the Issuer Hedge Counterparties.

After the relevant Issue Date GAL will pay periodically a facility fee by way of the ongoing facility fee which shall meet the ongoing costs, losses and expenses of the Issuer in respect of amounts owed to, inter alios, the Bond Trustee, the Issuer Security Trustee (and any receiver appointed by the Issuer Security Trustee), the Agents, the Issuer Cash Manager, the Issuer Account Bank, the Issuer Corporate Administration Providers, the Liquidity Facility Providers, the Issuer's legal advisers, accountants and auditors and any amounts payable to the Issuer Hedge Counterparties (in each case to the extent not covered by the initial facility fee) and Liquidity Facility Providers.

Secured obligations

The obligations of GAL under each Borrower Loan Agreement will be secured pursuant to the Borrower Security Agreement, and such obligations will be guaranteed by each other Obligor in favour of the Borrower Security Trustee, who will hold the benefit of such security and guarantees on trust for the Borrower Secured Creditors (including the Issuer) on the terms of the STID.

Loan Event of Default

The Issuer's obligations to repay principal and pay interest on the Bonds are intended to be met primarily from the payments of principal and interest received from GAL under the corresponding Borrower Loan Agreement and payments received under any related Hedging Agreements. Failure of GAL to repay an Advance on the maturity date in respect of such Advance (which corresponds to the Business Day falling three Business Days prior to the Scheduled Redemption Date of the corresponding Sub-Class or Class of Bonds) will be a Loan Event of Default under the relevant Borrower Loan Agreement, although it will not, of itself, constitute a Bond Event of Default. The Maturity Date under the Bonds corresponding to the relevant Advance will fall two years after the Scheduled Redemption Date, to cater solely for the possibility that GAL might default on repayment of the Borrower Loans. In the event of such a Loan Event of Default, the Bonds will accrue interest at a floating rate, which will be met from any available proceeds from the Borrower Loans or, if insufficient, from drawings under the Liquidity Facility to the extent available. If the Bonds are not redeemed in full by their Maturity Date, there will be a Bond Event of Default.

Withholding/deductions

GAL agrees to make all payments to the Issuer free and clear of any withholding on account of tax unless it is required by law to do so – in such circumstances GAL will gross-up such payments.

Borrower Account Bank Agreement

General

GAL established or caused to be established on or before the Establishment Date a sterling operating account, a mandatory standby repayment account and a borrower hedge collateral account and may at a later date establish a liquidity reserve account (together with any other accounts that may be opened from time to time, the Borrower Accounts). The Borrower Accounts are held with the Borrower Account Bank pursuant to the Borrower Account Bank Agreement dated on the Establishment Date between GAL, the Borrower Account Bank and the Borrower Security Trustee. Any Liquidity Standby Account opened under the Liquidity Facility Agreement will be opened and maintained with the Borrower Account Bank under the Borrower Account Bank Agreement.

Termination

The Borrower Account Bank may resign its appointment upon not less than 120 days' notice to GAL provided that such resignation shall not take effect until a substitute Borrower Account Bank with the Requisite Rating has been duly appointed.

GAL may revoke its appointment of the Borrower Account Bank by not less than 30 days' notice to the Borrower Account Bank provided that such revocation shall not take effect until a substitute has been duly appointed. Furthermore, GAL may terminate the appointment of the Borrower Account Bank if, inter alia, (a) an Insolvency Event occurs in relation to the Borrower Account Bank, (b) the Borrower Account Bank no longer maintains the Requisite Rating with any two of the Rating Agencies (including S&P) and (c) if the Borrower Account Bank defaults in the performance of any of its material obligations under the Borrower Account Bank Agreement subject to the applicable grace period.

Description of Borrower Account Bank

The Borrower Account Bank is The Royal Bank of Scotland plc.

The Royal Bank of Scotland plc's registered office is 36 St Andrews Square, Edinburgh EH2 2YB.

The Royal Bank of Scotland plc (**RBS**) is a public limited company incorporated in Scotland with registration number SC090312 and was incorporated under Scots law on 31 October 1984. RBS is a wholly-owned subsidiary of the Royal Bank of Scotland Group plc (the **RBS Group**), which is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the RBS Group operates in the United Kingdom, the United States and internationally through its three principal subsidiaries, RBS, National Westminster Bank Plc (**NatWest**) and The Royal Bank of Scotland N.V. (**RBS N.V.**). Both RBS and NatWest are major United Kingdom clearing banks. RBS N.V. is a bank regulated by the Dutch Central Bank. In the United States, the RBS Group's subsidiary Citizens Financial Group, Inc. is a large commercial banking organisation. Globally, the RBS Group has a diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

The information in the preceding two paragraphs has been provided solely by RBS for use in this Prospectus. Except for the foregoing two paragraphs, RBS and its affiliates do not accept responsibility for this Prospectus.

Liquidity Facility Agreement

Each Liquidity Facility Provider is a Borrower Secured Creditor and Issuer Secured Creditor party to the STID and the CTA.

The amounts owed to the Liquidity Facility Providers other than Liquidity Subordinated Amounts do not constitute Qualifying Borrower Senior Debt. However, fees, interest and principal payable to the Liquidity Facility Providers will rank senior to interest and principal payments on the Class A Bonds (see " – *Security Trust and Intercreditor Deed - Enforcement and Acceleration*").

On the Establishment Date, GAL and the Issuer entered into the Liquidity Facility Agreement with the Liquidity Facility Providers pursuant to which the Liquidity Facility Providers agreed to make the Liquidity Facility available to meet certain liquidity shortfalls.

Under the terms of the Liquidity Facility Agreement, the Liquidity Facility Providers will provide a 364-day commitment in an aggregate sterling amount specified in the Liquidity Facility Agreement to permit drawings to be made by (i) GAL in circumstances where GAL has or will have insufficient funds available on a Payment Date to pay (among other things) scheduled interest on the Authorised Credit Facilities to the extent such amount is in respect of Senior Debt (a **GAL Liquidity Shortfall**) and (ii) the Issuer in circumstances where the Issuer has or will have insufficient funds available on a LF Interest Payment Date to pay (among other things) scheduled interest on the Class A Bonds (a **GFL Liquidity Shortfall**). The Liquidity Facility shall not be available to provide for any termination payments or other unscheduled amounts payable by the Issuer or GAL to the Hedge Counterparties.

The Liquidity Facility Agreement provides that the amounts repaid by GAL or the Issuer to the Liquidity Facility Providers may be redrawn.

Each Liquidity Facility Provider must be a bank which as at the Establishment Date has the Requisite Rating.

The Liquidity Facility Agreement provides that if (i) at any time the relevant rating of a Liquidity Facility Provider falls below the Requisite Rating or (ii) a Liquidity Facility Provider does not agree to renew such Liquidity Facility prior to the expiry of the 364 day period, GAL and/or the Issuer will:

- (a) use all reasonable endeavours to replace the relevant Liquidity Facility Provider with a party having the Requisite Rating and/or enter into a substitute liquidity facility agreement with a party having the Requisite Rating; and
- (b) if a replacement is not made (or if the affected Liquidity Facility Provider does not procure a guarantee of its obligations from a guarantor with the Requisite Rating) or a substitute agreement is

not entered into within the relevant time period specified in the Liquidity Facility Agreement, be entitled to require make a Standby Drawing in respect of such Liquidity Facility Provider's under a commitment.

A Standby Drawing will generally be repayable, together with any interest accrued thereon, only if (i) the affected Liquidity Facility Provider is re-rated with the Requisite Rating (or higher), or (ii) the relevant Liquidity Facility Provider assigns or transfers its rights, benefits and obligations to a substitute Liquidity Facility Provider in accordance with the Liquidity Facility Agreement, or (iii) GAL and/or the Issuer serve a notice of cancellation to the affected Liquidity Facility Provider in accordance with the Liquidity Facility Agreement.

Interest accrues on any drawing (including a Standby Drawing) made under the Liquidity Facility Agreement provided by the Liquidity Facility Providers at a reference rate (of LIBOR) plus a margin plus certain step-up amounts. Under the Liquidity Facility Agreement, GAL and the Issuer are also required to pay additional amounts if: (i) a withholding or deduction for or on account of tax is imposed on payments made by it to the relevant Liquidity Facility Provider; or (ii) if the relevant Liquidity Facility Provider suffers an increase in the cost of providing the relevant Liquidity Facility.

Under the terms of the CTA and the STID (in the case of GAL) and the Issuer Cash Management Agreement and the Issuer Deed of Charge (in the case of the Issuer), all indebtedness outstanding under the Liquidity Facility Agreement (other than certain liquidity subordinated amounts) will rank in priority to amounts payable under the Authorised Credit Facilities and the Class A Bonds (as applicable).

Declaration of Trust over Liquidity Standby Account

On the Initial Issue Date, GAL, the Borrower Security Trustee, the Issuer Security Trustee and the Issuer entered into a declaration of trust in relation to the Liquidity Standby Account, under which GAL acts as Trustee in respect certain property including the amount of any Standby Drawing(s) made by the Liquidity Facility Provider(s) to the Liquidity Standby Account. The beneficiaries under the Liquidity Standby Account Declaration of Trust will be GAL and the Issuer and their beneficial interests in the trust will be determined by the terms of the Liquidity Standby Account Declaration of Trust based on the respective amounts, from time to time, of the Outstanding Principal Amount under the Authorised Credit Facilities and the Principal Amount Outstanding of the Class A Bonds.

GAL and the Issuer granted security over their respective beneficial interests in the Liquidity Standby Account Declaration of Trust under the terms of the Borrower Security Agreement (in the case of GAL) and under the Issuer Deed of Charge (in the case of the Issuer).

Standby Drawings made to the Liquidity Standby Account are subject to the Liquidity Standby Account Declaration of Trust and no Liquidity Facility Provider has any proprietary interest or security interest in such amounts, save as arises under the Security Documents.

Tax Deed

Pursuant to the Tax Deed, among other things, each of the Covenantors has made representations and given covenants in relation to its tax affairs and the tax affairs of its group (where applicable) for the benefit of the Issuer Security Trustee (as trustee for the Issuer Secured Creditors) and the Borrower Security Trustee (as trustee for the Borrower Secured Creditors) with a view to protecting the Security Group from various tax-related risks.

The effect of the representations and covenants given by the Covenantors is that the risk of any member of the Security Group being subject to an unexpected tax liability which might affect its ability to perform its obligations under any of the Transaction Documents should be minimised.

A breach of the terms of the Tax Deed shall not give rise to any liability under the Tax Deed to the extent that the tax liability that arises is less than 0.5% of Regulatory RAB.

ISSUER TRANSACTION DOCUMENTS

The Issuer Deed of Charge

General

On the Establishment Date, the Issuer entered into the Issuer Deed of Charge with the Issuer Security Trustee and the Bond Trustee for itself and on behalf of the Bondholders, the Liquidity Facility Agent, the Issuer Hedge Counterparties, the Issuer Account Bank, the Registrar, the Principal Paying Agent, the Paying Agent, the Exchange Agent, the Agent Bank, the Issuer Cash Manager, the Issuer Corporate Administration Providers, any receiver and any other creditor of the Issuer which accedes to the Issuer Deed of Charge (together the **Issuer Secured Creditors**).

Issuer Security

- Pursuant to the Issuer Deed of Charge, from the Initial Issue Date, the Issuer secured its obligations to the Issuer Secured Creditors by granting the following security (the **Issuer Security**):
- an absolute assignment (or, to the extent not assignable, a first fixed charge) of all of its rights in respect of the Issuer Transaction Documents and the Finance Documents to which the Issuer is a party (other than the Issuer Deed of Charge, the Bond Trust Deed and the Jersey Corporate Administration Agreement);
- an absolute assignment (or, to the extent not assignable, a first fixed charge) of all of its rights in respect of any amount standing from time to time to the credit of the Issuer Accounts and all interest paid or payable in relation to those amounts and all debts represented by those amounts;
- an absolute assignment (or, to the extent not assignable, a first fixed charge) of all its rights in relation to the Issuer's interest in the trust created under the Liquidity Standby Account Declaration of Trust;
- a first fixed charge of all its rights in respect of each Authorised Investment of the Issuer; and
- a first floating charge over the whole of the Issuer's assets (including, without limitation, its uncalled capital) other than any assets at any time otherwise effectively charged or assigned by way of fixed charge or assignment under the Issuer Deed of Charge.

The Issuer Security is held on trust by the Issuer Security Trustee for itself and on behalf of the Issuer Secured Creditors in accordance with, and subject to the Issuer Deed of Charge.

Restrictions on the exercise of rights

The Issuer Deed of Charge contains certain restrictions on the exercise of rights. These include that, each of the Issuer Secured Creditors agrees with the Issuer and the Issuer Security Trustee that (a) only the Issuer Security Trustee may enforce the Issuer Security in accordance with the terms of the Issuer Deed of Charge, (b) it will not take any steps or proceedings to procure the winding up, administration or liquidation of the Issuer and (c) it will not take any other steps or action against the Issuer or in relation to the Issuer Security for the purpose of recovering any of the secured liabilities or enforcing any rights arising out of the Issuer Transaction Documents against the Issuer or take any other proceedings in respect of or concerning the Issuer or the Issuer Security provided that, subject to items (a) and (b) above, the Liquidity Facility Agent and the Issuer Hedge Counterparties may sue for, commence or join legal or arbitration proceedings against

the Issuer to recover any amounts due and payable in respect of or under the Liquidity Facility Agreement or the relevant Issuer Hedge Agreement, as the case may be.

Furthermore, each of the Issuer Secured Creditors agrees that all obligations of the Issuer to each Issuer Secured Creditor are limited in recourse to the Issuer Security. If (a) there is no Issuer Security remaining which is capable of being realised or otherwise converted into cash, (b) all amounts available from the Issuer Security have been applied to meet or provide for the relevant obligations in accordance with the provisions of the Issuer Deed of Charge and (c) there are insufficient amounts available from the Issuer Security to pay in full the secured liabilities, then the Issuer Secured Creditors shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

Priority of payments upon acceleration

After the service of a Bond Enforcement Notice by the Bond Trustee in accordance with Condition 10(b) (*Delivery of a Bond Enforcement Notice*) the Issuer Cash Manager shall (to the extent that such funds are available) use funds standing to the credit of the Issuer Accounts (subject to certain exceptions) to make payments in accordance with the Issuer Post-Enforcement Priority of Payments waterfall. See "*Cashflows - Issuer Post-Enforcement Priority of Payments*" for more detail.

Enforcement of the Issuer Security

The Issuer Security Trustee will be bound to enforce the Issuer Security if directed to do so by the Bond Trustee, provided that the Issuer Security Trustee has been indemnified and/or secured to its satisfaction against any liabilities.

The Issuer Security will become immediately enforceable following the occurrence of a Bond Event of Default and the delivery of a Bond Enforcement Notice by the Bond Trustee or, if there are no Bonds outstanding, upon failure by the Issuer to pay any other secured liability on its due date.

Bond Trust Deed

General

On the Establishment Date, the Issuer and the Bond Trustee entered into the Bond Trust Deed pursuant to which the Bonds will be constituted. The Bond Trust Deed includes the form of the Bonds and contains a covenant from the Issuer to the Bond Trustee to pay all amounts due under the Bonds. The Bond Trustee holds the benefit of that covenant on trust for itself and the Bondholders in accordance with their respective interests.

Enforcement

The Bond Trustee may at any time, at its discretion and without notice:

- (a) take such action, proceedings and/or other steps as it may think fit against or in relation to the Issuer or any other person to enforce its obligations under the Bond Trust Deed, the conditions, the Bonds or any other Issuer Transaction Document to which the Bond Trustee is a party,
- (b) exercise any of its rights under, or in connection with, the Bond Trust Deed, the Conditions or any other Issuer Transaction Document and/or
- (c) give any directions to the Issuer Security Trustee under or in connection with any Issuer Transaction Document (including, but not limited to, the giving, subject to the delivery of a Bond Enforcement Notice, of a direction to the Issuer Security Trustee to enforce the Issuer Security).

Waiver of a Bond Event of Default

The Bond Trustee may, without the consent or sanction of the Bondholders or any other Issuer Secured Creditor at any time (but only if in its opinion such waiver will not be materially prejudicial to the interests of the Most Senior Class of Bondholders) determine that any event which would otherwise constitute a Bond Event of Default or Potential Bond Event of Default shall not be treated as such for the purposes of the Bond Trust Deed provided that the Bond Trustee shall not exercise such powers in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Bonds then outstanding or of a request in writing made by holders of not less than 25% in aggregate of the principal amount of the Most Senior Class of Bonds then outstanding.

Modification

The Bond Trustee may without the consent or sanction of the Bondholders and without the consent of the other Issuer Secured Creditors (other than any Issuer Secured Creditor which is party to the relevant documents), at any time and from time to time concur with the Issuer and any other person, or direct the Issuer Security Trustee to concur with the Issuer or any other person, in making any modification to the Bond Trust Deed, the Conditions, the Bonds and/or the other Issuer Transaction Documents (other than a Basic Terms Modification) (subject as provided in the STID in relation to any Common Documents) which may, in the opinion of the Bond Trustee, be proper to make provided that the Bond Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Bondholders of the Most Senior Class of Bonds then outstanding and provided further that if any such modification relates to an Issuer Secured Creditor Entrenched Right, each of the affected Issuer Secured Creditors has given its prior written consent.

The Bond Trust Deed provides that in connection with the exercise by it of any of its trusts, powers, authorities or discretions under the Bond Trust Deed (including, without limitation, any modification, waiver, authorisation, determination or substitution) or any other Issuer Transaction Document the Bond Trustee shall:

- (a) have regard to the general interests of the Bondholders of each Class or Sub-Class as a class or sub-class; and
- (b) except where expressly provided otherwise, have regard to the interests of the Class A Bondholders and the Class B Bondholders equally, provided that the Bond Trustee shall have regard to the interest only of the holders of the Most Senior Class of Bonds if, in the Bond Trustee's opinion, there is a conflict between the interests of the Class A Bondholders and the Class B Bondholders.

Action, proceedings and indemnification

The Bond Trustee shall not be bound to take any actions, proceedings, or steps in relation to the Bond Trust Deed, the Bonds or any other Issuer Transaction Document unless directed or requested to do so in writing by the Issuer Qualifying Creditors together holding or representing 25% or more of the Issuer Qualifying Debt, and then only if it shall be indemnified to its satisfaction against any liabilities relating to such actions.

Only the Bond Trustee may enforce the provisions of the Bond Trust Deed or the other Issuer Transaction Documents to which it is party.

STID voting requests

Subject to the provisions of the STID, on receipt of a STID Voting Request from the Borrower Security Trustee in respect of a STID Proposal that gives rise to an Entrenched Right in respect of which the Issuer is an Affected Borrower Secured Creditor, the Bond Trustee shall convene a meeting of the holders of each Sub-Class of Bonds then outstanding and affected by such Entrenched Right.

On receipt of a STID Voting Request from the Borrower Security Trustee in respect of an Ordinary Voting Matter or Extraordinary Voting Matter or other STID Proposal, the Bond Trustee shall promptly send a copy of such notice to the Bondholders.

In respect of a STID Proposal which does not give rise to an Entrenched Right, no physical meetings of Bondholders will be held in respect of any vote.

Issuer representations

The Issuer makes representations (subject to detailed carve-outs, exceptions and qualifications set forth in the Bond Trust Deed) in the Bond Trust Deed as at the date of the Bond Trust Deed and at each Issue Date, including as to:

- (a) its corporate status, power and authority and certain other legal matters;
- (b) the enforceability of the Transaction Documents;
- (c) non-conflict with the documents binding on it, its constitutional documents, licences and laws;
- (d) no existing default or potential default;
- (e) consents, licences, authorisations and approvals are obtained and complied with;
- (f) no current litigation;
- (g) no insolvency event in relation to it; and
- (h) ranking of security.

Issuer covenants

The covenants given by the Issuer in the Bond Trust Deed (subject to detailed carve-outs, exceptions and qualifications) include the following:

- (a) conduct its business in accordance with its obligations under the Bond Trust Deed;
- (b) give the Bond Trustee such documents needed to discharge or exercise its powers under the Bond Trust Deed or by operation of law;
- (c) ensure compliance with accounting requirements as set forth by the relevant Stock Exchange;
- (d) keep proper books of account and allow the Bond Trustee free access to such books of account;
- (e) send to the Bond Trustee every document issued or sent to its shareholders;
- (f) execute and perform such acts necessary in order for the Bond Trustee to discharge its functions under the Bond Trust Deed;
- (g) maintain those Agents required in accordance with the Conditions and maintain such other agents as may be required by the Conditions or by any other stock exchange (not being the Stock Exchange) on which the Bonds may be listed;
- (h) procure the Principal Paying Agent and the Registrar notify the Bond Trustee in the event they do not receive payment of the full amount due on all Bonds, Receipts or Coupons;

- (i) if the relevant Final Terms indicate that the Bonds are to be listed on a relevant Stock Exchange, maintain the quotation or listing on the relevant Stock Exchange of those of the Bonds;
- (j) send to the Bond Trustee and obtain its approval, prior to the date on which any such notice is to be given, the form of every notice to be given to the Bondholders;
- (k) notify the Bond Trustee if payments by the Issuer become subject to withholding;
- (l) deliver to the Bond Trustee a certificate setting out the total number and aggregate nominal amount of the Bonds of each Class or Sub-Class which:
 - (i) up to and including the date of such certificate have been purchased by the Issuer or any Obligor and cancelled; and
 - (ii) are at the date of such certificate held by, for the benefit of, or on behalf of, the Issuer or any Obligor;
- (m) procure that each of the Agents makes available for inspection by Bondholders copies of the Bond Trust Deed, the Agency Agreement and the then latest audited balance sheet and profit and loss account (consolidated if applicable) of the Issuer;
- (n) procure the delivery of legal opinion(s) as to English and any other relevant law, addressed to the Bond Trustee, dated the date of any modification or amendment or supplement to the Bond Trust Deed;
- (o) give notice to the Bond Trustee of the proposed redemption of the Bonds of any Class or Sub-Class;
- (p) minimise taxes and any other costs arising in connection with its payment obligations in respect of the Bonds;
- (q) maintain its registered office in Jersey;
- (r) give notice to the Bond Trustee of the occurrence of any Bond Event of Default or Potential Bond Event of Default; and
- (s) for so long as any of the Bonds are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act furnish, information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Issuer Cash Management Agreement

General

The Issuer has appointed GAL as the Issuer Cash Manager pursuant to the Issuer Cash Management Agreement dated on the Establishment Date. Pursuant to the Issuer Cash Management Agreement, the Issuer Cash Manager undertakes certain cash administration functions on behalf of the Issuer.

Cash management functions

As part of its duties under the Issuer Cash Management Agreement, the Issuer Cash Manager, inter alia, (a) operates the Issuer Accounts and effect payments to and from the Issuer Accounts in accordance with the provisions of the relevant Issuer Transaction Documents, (b) procures that all payments of principal, interest, the ongoing facility fee, the initial facility fees or other amounts received or to be received under the

Borrower Loan Agreements are identified and calculated as such, (c) invests funds not immediately required by the Issuer in Authorised Investments in accordance with the provisions of the Issuer Cash Management Agreement and (d) makes determinations and perform certain obligations on behalf of the Issuer as set out in, and in accordance with, the provisions of the Liquidity Facility Agreement including directing the Issuer to make drawings (or making drawings on behalf of the Issuer) under the Liquidity Facility Agreement.

Liquidity facility

Allowing sufficient time to deliver any relevant LF Notice of Drawing, the Issuer Cash Manager (on behalf of the Issuer) shall determine the amount of any anticipated GFL Liquidity Shortfall on the next Interest Payment Date after taking into account the balance standing to the credit of the Issuer Accounts (excluding any Issuer Collateral Accounts) which will be available to the Issuer on the next Interest Payment Date. Any amounts standing to the credit of the Issuer Liquidity Reserve Account (if any) will be applied to decrease the amount which would otherwise constitute a GFL Liquidity Shortfall by applying such amount towards payment of items (a) to (e), (f)(i) and (f)(ii) (inclusive) of the Issuer Pre-Enforcement Priority of Payments (excluding any termination payments and all other unscheduled amounts payable to any Issuer Hedge Counterparty). The Issuer, or the Issuer Cash Manager on its behalf, will issue a notice of drawing to the facility agent under the Liquidity Facility Agreement to cover any such liquidity shortfall.

Pre-enforcement priority of payments

Prior to the delivery of a Bond Enforcement Notice by the Bond Trustee in accordance with Condition 10(b) (*Delivery of a Bond Enforcement Notice*), amounts standing to the credit of the Issuer Accounts (subject to certain exceptions), will be applied by the Issuer Cash Manager (on behalf of the Issuer) in accordance with the Issuer pre-enforcement priority of payments waterfall as described in more detail in "Cashflows - Issuer Pre-enforcement Priority of Payments".

Termination

The Issuer may terminate the appointment of the Issuer Cash Manager (a) at any time with at least 90 days' prior notice and the consent of the Issuer Security Trustee, (b) if default is made by the Issuer Cash Manager in the performance or observance of any of its material covenants and material obligations under the Issuer Cash Management Agreement subject to the applicable grace period, (c) if any Insolvency Event occurs in relation to the Issuer Cash Manager and (d) if a Bond Enforcement Notice is given and the Issuer Security Trustee is of the opinion that the continuation of the appointment of the Issuer Cash Manager is materially prejudicial to the interests of the Issuer Secured Creditors.

Subject to certain conditions (including that a suitable successor Issuer Cash Manager has been installed), the Issuer Cash Manager is entitled to resign upon giving 30 days' written notice of termination to the Issuer and the Issuer Security Trustee.

Issuer Account Bank Agreement

General

The Issuer has established or caused to be established on or before the Establishment Date sterling, euro and U.S. dollar operating accounts and an issuer collateral account and may at a later date establish an issuer liquidity reserve account (together, the Issuer Accounts). The Issuer Accounts are held with the Issuer Account Bank pursuant to the Issuer Account Bank Agreement dated on the Establishment Date between the Issuer, the Issuer Account Bank and the Issuer Security Trustee.

Termination

The Issuer Account Bank may resign its appointment upon not less than 120 days' notice to the Issuer provided that such resignation shall not take effect until a substitute Issuer Account Bank with the Requisite Ratings has been duly appointed.

The Issuer may revoke its appointment of the Issuer Account Bank by not less than 30 days' notice to the Issuer Account Bank provided that such revocation shall not take effect until a substitute has been duly appointed. Furthermore, the Issuer may terminate the appointment of the Issuer Account Bank if, inter alia, (a) an Insolvency Event occurs in relation to the Issuer Account Bank, (b) the Issuer Account Bank no longer maintains the Requisite Rating with any two of the Rating Agencies (including S&P) or (c) the Issuer Account Bank defaults in the performance of any of its material obligations under the Issuer Account Bank Agreement subject to the applicable grace period.

Description of Issuer Account Bank

The Issuer Account Bank is The Royal Bank of Scotland plc.

The Royal Bank of Scotland plc's registered office is 36 St Andrews Square, Edinburgh EH2 2YB.

The Royal Bank of Scotland plc (**RBS**) is a public limited company incorporated in Scotland with registration number SC090312 and was incorporated under Scots law on 31 October 1984. RBS is a wholly-owned subsidiary of the Royal Bank of Scotland Group plc (the **RBS Group**), which is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the RBS Group operates in the United Kingdom, the United States and internationally through its three principal subsidiaries, RBS, National Westminster Bank Plc (**NatWest**) and The Royal Bank of Scotland N.V. (**RBS N.V.**). Both RBS and NatWest are major United Kingdom clearing banks. RBS N.V. is a bank regulated by the Dutch Central Bank. In the United States, the RBS Group's subsidiary Citizens Financial Group, Inc. is a large commercial banking organisation. Globally, the RBS Group has a diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

The information in the preceding two paragraphs has been provided solely by RBS for use in this Prospectus. Except for the foregoing two paragraphs, RBS and its affiliates do not accept responsibility for this Prospectus.

Agency Agreement

Pursuant to the Agency Agreement entered into on the Establishment Date between the Issuer, the Bond Trustee, the Registrar, the Principal Paying Agent, the Exchange Agent and the Agent Bank, provision has been made for, among other things, payment of principal and interest in respect of the Bonds and the maintenance of a register of the holders of the Bonds.

CASHFLOWS

The following sets out the various priorities of payment as included in the respective Finance Documents or Issuer Transaction Documents, as more fully summarised in "Summary of the Financing Documents " above.

Borrower Pre-Enforcement Priority of Payments

Prior to delivery of a Loan Enforcement Notice or a Loan Acceleration Notice, payments to Borrower Secured Creditors will be made, on each Payment Date (or in the case of paragraphs (a) to (c) below, on any day on which such amounts are due and payable) out, of monies standing to the credit of the Operating Account (other than, in each case to the extent paid from monies standing to the credit of the Operating Account, (x) Borrower Hedge Replacement Premium (if any) which shall be paid directly to the relevant Borrower Hedge Counterparty and (y) the amount (if any) of any cash benefit in respect of a Tax Credit that has been received by the Borrower in respect of an Borrower Hedging Agreement that the Borrower is required to pay to an Borrower Hedge Counterparty under Section 2(d)(iii) of the relevant Borrower Hedging Agreement, which shall be paid to the relevant Borrower Hedge Counterparty in accordance with the relevant Borrower Hedging Agreement) in the following order, without double-counting:

- (a) *first*, pro rata, according to the respective amounts thereof in or towards satisfaction of (i) the fees, costs, charges, liabilities, expenses and other remuneration and indemnity payments (if any) and any other amounts payable by any Obligor to the Borrower Security Trustee or any Receiver under any Transaction Document and (ii) to the Issuer by way of Ongoing Facility Fee, the amounts due in respect of the fees, costs, charges, liabilities, expenses and other remuneration and indemnity payments (if any) and any other amounts payable by the Issuer to the Issuer Security Trustee and the Bond Trustee;
- (b) *second*, pro rata, according to the respective amounts thereof in or towards satisfaction of (i) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Borrower Account Bank incurred under the Borrower Account Bank Agreement and (ii) to the Issuer by way of Ongoing Facility Fee, in or towards satisfaction, pro rata and pari passu of the amounts payable by the Issuer in respect of:
 - (i) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Agents incurred under the Agency Agreement or a Calculation Agency Agreement;
 - (ii) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Issuer Account Bank incurred under the Issuer Account Bank Agreement;
 - (iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Corporate Administration Providers under the Issuer Corporate Administration Agreements; and
 - (iv) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Issuer Cash Manager incurred under the Issuer Cash Management Agreement;
- (c) *third*, prior to the delivery of a Bond Enforcement Notice only, an amount to the Issuer by way of Ongoing Facility Fee in or towards satisfaction, pro rata and pari passu, of:
 - (i) payment of amounts due and payable to any third party creditors of the Issuer, or to become due and payable to any third party creditors of the Issuer prior to the next Payment Date, of which the Issuer Cash Manager has notice prior to the relevant Payment Date, which amounts have been incurred without breach by the Issuer of the Issuer Transaction Documents to which it is a party (and for which payment has not been provided elsewhere);

- (ii) any amounts due and payable by the Issuer and for which the Issuer is primarily liable in respect of UK corporation tax, other than UK corporation tax on the Issuer Profit Amount which shall be met by the Issuer out of the Issuer Profit Amount, and other tax for which the Issuer is liable under the laws of any jurisdiction; and
 - (iii) to the Issuer by way of Ongoing Facility Fee an amount equal to the Issuer Profit Amount;
- (d) *fourth*, pro rata, according to the respective amounts thereof, pro rata and pari passu:
- (i) to the Issuer by way of Ongoing Facility Fee in respect of all amounts due by the Issuer to any Liquidity Facility Provider (and any facility agent and arranger under the Liquidity Facility Agreement) (other than amounts in respect of any Liquidity Subordinated Amounts);
 - (ii) all amounts due by the Borrower to any Liquidity Facility Provider (and any Liquidity Facility Agent and arranger under any Liquidity Facility Agreement) (other than in respect of any Liquidity Subordinated Amounts); and
 - (iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of each facility agent under each Authorised Credit Facility;
- (e) *fifth*, pro rata, according to the respective amounts thereof, pro rata and pari passu:
- (i) all amounts in respect of all scheduled amounts payable to each Borrower Hedge Counterparty under any Rate Hedging Agreement in respect of Senior Debt between a Borrower and a Borrower Hedge Counterparty (other than amounts in respect of Borrower Subordinated Hedge Amounts); and
 - (ii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of scheduled amounts payable by the Issuer to each Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Senior Debt between the Issuer and an Issuer Hedge Counterparty (other than in respect of Issuer Subordinated Hedge Amounts);
- (f) *sixth*, pro rata, according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of, pro rata and pari passu:
- (i) to the Issuer all amounts of interest due or overdue in respect of the Borrower Loans relating to payments of interest on the Class A Bonds (other than any Subordinated Step-Up Fee Amounts);
 - (ii) all amounts of interest, underwriting and commitment commissions due or overdue in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements);
 - (iii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of all termination amounts or other unscheduled amounts payable by the Issuer to each Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Senior Debt between the Issuer and an Issuer Hedge Counterparty (other than Issuer Subordinated Hedge Amounts);
 - (iv) all amounts in respect of all termination amounts or other unscheduled amounts payable to each Borrower Hedge Counterparty under any Rate Hedging Agreement in respect of Senior Debt between a Borrower and a Borrower Hedge Counterparty (other than amounts in respect of Borrower Subordinated Hedge Amounts);

- (v) all amounts in respect of all scheduled amounts (other than principal exchange amounts) payable to each Borrower Hedge Counterparty under any Cross Currency Hedging Agreement in respect of the Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements); and
 - (vi) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of all amounts in respect of scheduled amounts (other than principal exchange amounts) payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of the Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class A Bonds;
- (g) *seventh*, pro rata, according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of, pro rata and pari passu:
- (i) all amounts of principal due or overdue in respect of the Borrower Loans relating to repayments of principal on the Class A Bonds;
 - (ii) all amounts of principal due or overdue in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements);
 - (iii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of all scheduled principal exchange amounts and all termination amounts or other unscheduled sums payable by the Issuer to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of the Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) the Class A Bonds (other than in respect of Issuer Subordinated Hedge Amounts);
 - (iv) all scheduled principal exchange amounts and all termination amounts or other unscheduled sums due and payable by the Borrower to each Borrower Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements); and
 - (v) all amounts due to the Permitted Secured Guarantee Beneficiaries in respect of Permitted Secured Guarantee Liabilities in an aggregate amount up to the Permitted Secured Guarantee Maximum Amount;
- (h) *eighth*, in or towards satisfaction of any amount payable under any Borrower Loan Agreement in respect of any Make-Whole Amount due and payable on the Class A Bonds;
- (i) *ninth*, pro rata, according to the respective amounts thereof, pro rata and pari passu:
- (i) all amounts in respect of all scheduled amounts payable to each Borrower Hedge Counterparty under any Rate Hedging Agreement in respect of Junior Debt between a Borrower and a Borrower Hedge Counterparty (other than amounts in respect of Borrower Subordinated Hedge Amounts); and
 - (ii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of scheduled amounts payable by the Issuer to each Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Junior Debt between the Issuer and an Issuer Hedge Counterparty (other than in respect of Issuer Subordinated Hedge Amounts);
- (j) *tenth*, pro rata, according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of, pro rata and pari passu:

- (i) to the Issuer all amounts of interest due or overdue in respect of the Borrower Loans relating to payments of interest on the Class B Bonds (other than Subordinated Step-Up Fee Amounts);
 - (ii) all amounts of interest, underwriting and commitment commissions due or overdue in respect of Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements);
 - (iii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of all termination amounts or other unscheduled amounts payable by the Issuer to each Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Junior Debt between the Issuer and an Issuer Hedge Counterparty (other than Issuer Subordinated Hedge Amounts);
 - (iv) all amounts in respect of all termination amounts or other unscheduled amounts payable to each Borrower Hedge Counterparty under any Rate Hedging Agreement in respect of Junior Debt between a Borrower and a Borrower Hedge Counterparty (other than amounts in respect of Borrower Subordinated Hedge Amounts);
 - (v) all amounts in respect of all scheduled amounts (other than principal exchange amounts) payable to each Borrower Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Junior Debt (other than amounts due under the Borrower Loan Agreements);
 - (vi) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of all scheduled amounts (other than principal exchange amounts) payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class B Bonds;
 - (vii) to the Borrower Liquidity Reserve Account the amount required to satisfy the minimum debt service funding requirements set out in paragraph 3.3 (Capex Funding Trigger and Debt Service Funding Trigger) of part 3 (Trigger Event Remedies) of schedule 3 (Trigger Event) of the CTA; and
 - (viii) to the Issuer Liquidity Reserve Account the amount required to satisfy the minimum debt service funding requirements set out in paragraph 3.2 (Capex Funding Trigger and Debt Service Funding Trigger) of part 3 (Trigger Event Remedies) of schedule 3 (Trigger Event) of the CTA;
- (k) *eleventh*, pro rata, according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of, pro rata and *pari passu*:
- (i) to the Issuer all amounts of principal due or overdue in respect of the Borrower Loans relating to repayments of principal on the Class B Bonds;
 - (ii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of all scheduled principal exchange amounts and all termination amounts or other unscheduled sums due and payable by the Issuer to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of the Class B Bonds (other than in respect of Issuer Subordinated Hedge Amounts);
 - (iii) all scheduled principal exchange amounts and all termination amounts or other unscheduled sums due and payable by the Borrower to each Borrower Hedge Counterparty under any

Cross Currency Hedging Agreement in respect of Junior Debt outstanding under any Authorised Credit Facility (other than amounts due under the Borrower Loan Agreements); and

- (iv) all amounts of principal due or overdue in respect of Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements);
- (l) *twelfth*, in or towards satisfaction of any amount payable under any Borrower Loan Agreement in respect of any Make-Whole Amount due and payable on the Class B Bonds;
- (m) *thirteenth*, so much of the interest under the Borrower Loan Agreements as relates to Subordinated Step Up Fee Amounts in respect of the Class A Bonds;
- (n) *fourteenth*, so much of the interest under the Borrower Loan Agreements as relates to Subordinated Step-Up Fee Amounts in respect of the Class B Bonds;
- (o) *fifteenth*, pro rata and pari passu, according to the respective amounts thereof:
 - (i) to the Issuer by way of Ongoing Facility Fee, in respect of any Liquidity Subordinated Amount due by the Issuer to a Liquidity Facility Provider; and
 - (ii) any Liquidity Subordinated Amount due by the Borrower to a Liquidity Facility Provider; and
- (p) *sixteenth*, pro rata, according to the respective amounts thereof, pro rata and pari passu:
 - (i) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of any Issuer Subordinated Hedge Amounts due or overdue by the Issuer to an Issuer Hedge Counterparty ;and
 - (ii) any Borrower Subordinated Hedge Amounts due or overdue to a Borrower Hedge Counterparty.

Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments

Subject to certain matters and to certain exceptions, following delivery of a Loan Enforcement Notice but prior to delivery of a Loan Acceleration Notice, all Available Enforcement Proceeds will be applied by the Borrower Security Trustee as set out below, without double-counting:

- (a) *first*, pro rata and *pari passu*, according to the respective amounts thereof in or towards satisfaction of (i) the fees, costs, charges, liabilities, expenses and other remuneration and indemnity payments (if any) and any other amounts payable by any Obligor to the Borrower Security Trustee or any Receiver under any Transaction Document and (ii) to the Issuer by way of Ongoing Facility Fee, the amounts due in respect of the fees, costs, charges, liabilities, expenses and other remuneration and indemnity payments (if any) and any other amounts payable by the Issuer to the Issuer Security Trustee, the Bond Trustee and any Receiver under any Issuer Transaction Document;
- (b) *second*, pro rata and *pari passu*, according to the respective amounts thereof in or towards satisfaction of (i) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Borrower Account Bank incurred under the Borrower Account Bank Agreement and (ii) to the Issuer by way of Ongoing Facility Fee, in or towards satisfaction, pro rata and pari passu of the amounts payable by the Issuer in respect of:

- (i) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Agents incurred under the Agency Agreement or a Calculation Agency Agreement;
 - (ii) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Issuer Account Bank incurred under the Issuer Account Bank Agreement;
 - (iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Corporate Administration Providers under the Issuer Corporate Administration Agreements; and
 - (iv) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Issuer Cash Manager incurred under the Issuer Cash Management Agreement;
- (c) *third*, prior to the delivery of a Bond Enforcement Notice only, an amount to the Issuer by way of Ongoing Facility Fee in or towards satisfaction, pro rata and pari passu, of:
- (i) payment of amounts due and payable to any third party creditors of the Issuer, or to become due and payable to any third party creditors of the Issuer prior to the next Payment Date, of which the Issuer Cash Manager has notice prior to the relevant Payment Date, which amounts have been incurred without breach by the Issuer of the Issuer Transaction Documents to which it is a party (and for which payment has not been provided elsewhere);
 - (ii) any amounts due and payable by the Issuer and for which the Issuer is primarily liable in respect of UK corporation tax, other than UK corporation tax on the Issuer Profit Amount which shall be met by the Issuer out of the Issuer Profit Amount, and other tax for which the Issuer is liable under the laws of any jurisdiction; and
 - (iii) to the Issuer by way of Ongoing Facility Fee an amount equal to the Issuer Profit Amount;
- (d) *fourth*, pro rata and *pari passu*, according to the respective amounts thereof:
- (i) to the Issuer by way of Ongoing Facility Fee in respect of all amounts due by the Issuer to any Liquidity Facility Provider (and any facility agent and arranger under the Liquidity Facility Agreement) (other than amounts in respect of any Liquidity Subordinated Amounts);
 - (ii) all amounts due by the Borrower to any Liquidity Facility Provider (and any Liquidity Facility Agent and arranger under any Liquidity Facility Agreement) (other than in respect of any Liquidity Subordinated Amounts); and
 - (iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of each facility agent under each Authorised Credit Facility;
- (e) *fifth*, pro rata and *pari passu*, according to the respective amounts thereof:
- (i) all amounts in respect of all scheduled amounts payable to each Borrower Hedge Counterparty under any Rate Hedging Agreement in respect of Senior Debt between a Borrower and a Borrower Hedge Counterparty (other than amounts in respect of Borrower Subordinated Hedge Amounts); and
 - (ii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of scheduled amounts payable by the Issuer to each Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Senior Debt between the Issuer and an Issuer Hedge Counterparty (other than in respect of Issuer Subordinated Hedge Amounts);

- (f) *sixth*, pro rata and pari passu, according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of:
- (i) to the Issuer all amounts of interest due or overdue in respect of the Borrower Loans relating to payments of interest on the Class A Bonds (other than any Subordinated Step-Up Fee Amounts);
 - (ii) all amounts of interest, underwriting and commitment commissions due or overdue in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements);
 - (iii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of all termination amounts or other unscheduled amounts payable to by the Issuer to each Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Senior Debt between the Issuer and an Issuer Hedge Counterparty (other than Issuer Subordinated Hedge Amounts);
 - (iv) all amounts in respect of all termination amounts or other unscheduled amounts payable to each Borrower Hedge Counterparty under any Rate Hedging Agreement in respect of Senior Debt between a Borrower and a Borrower Hedge Counterparty (other than amounts in respect of Borrower Subordinated Hedge Amounts);
 - (v) all amounts in respect of all scheduled amounts (other than principal exchange amounts) payable to each Borrower Hedge Counterparty under any Cross Currency Hedging Agreement in respect of the Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements); and
 - (vi) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of all amounts in respect of scheduled amounts (other than principal exchange amounts) payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of the Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class A Bonds;
- (g) *seventh*, pro rata and *pari passu*, according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of:
- (i) all amounts of principal due or overdue in respect of the Borrower Loans relating to repayments of principal on the Class A Bonds;
 - (ii) all amounts of principal due or overdue in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements);
 - (iii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of all scheduled principal exchange amounts and all termination amounts or other unscheduled sums payable by the Issuer to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class A Bonds (other than in respect of Issuer Subordinated Hedge Amounts);
 - (iv) all scheduled principal exchange amounts and all termination amounts or other unscheduled sums due and payable by the Borrower to each Borrower Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements); and

- (v) all amounts due to the Permitted Secured Guarantee Beneficiaries in respect of Permitted Secured Guarantee Liabilities in an aggregate amount up to the Permitted Secured Guarantee Maximum Amount;
- (h) *eighth*, in or towards satisfaction of amounts payable under any Borrower Loan Agreement in respect of any Make-Whole Amount due and payable on the Class A Bonds;
- (i) *ninth*, pro rata and *pari passu*, according to the respective amounts thereof:
 - (i) all amounts in respect of all scheduled amounts payable to each Borrower Hedge Counterparty under any Rate Hedging Agreement between a Borrower and a Borrower Hedge Counterparty in respect of Junior Debt (other than amounts in respect of Borrower Subordinated Hedge Amounts); and
 - (ii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of scheduled amounts payable by the Issuer to each Issuer Hedge Counterparty under any Rate Hedging Agreement between the Issuer and an Issuer Hedge Counterparty in respect of Junior Debt (other than in respect of Issuer Subordinated Hedge Amounts);
- (j) *tenth*, pro rata and *pari passu*, according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of:
 - (i) to the Issuer all amounts of interest due or overdue in respect of the Borrower Loans relating to payments of interest on the Class B Bonds (other than Subordinated Step-Up Fee Amounts);
 - (ii) all amounts of interest, underwriting and commitment commissions due or overdue in respect of Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements);
 - (iii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of all termination amounts or other unscheduled amounts payable to by the Issuer to each Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Junior Debt between the Issuer and an Issuer Hedge Counterparty (other than Issuer Subordinated Hedge Amounts);
 - (iv) all amounts in respect of all termination amounts or other unscheduled amounts payable to each Borrower Hedge Counterparty under any Rate Hedging Agreement in respect of Junior Debt between a Borrower and a Borrower Hedge Counterparty (other than amounts in respect of Borrower Subordinated Hedge Amounts);
 - (v) all amounts in respect of all scheduled amounts (other than principal exchange amounts) payable to each Borrower Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Junior Debt (other than amounts due under the Borrower Loan Agreements);
 - (vi) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of scheduled amounts (other than principal exchange amounts) payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class B Bonds;

- (vii) to the Borrower Liquidity Reserve Account the amount required to satisfy the minimum debt service funding requirements set out in paragraph 3.3 of part 3 (Trigger Event Remedies) of schedule 3 (Trigger Event) of the Common Terms Agreement; and
 - (viii) to the Issuer Liquidity Reserve Account the amount required to satisfy the minimum debt service funding requirements set out in paragraph 3.2 of part 3 (Trigger Event Remedies) of schedule 3 (Trigger Event) of the Common Terms Agreement;
- (k) *eleventh*, pro rata and *pari passu*, according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of:
- (i) to the Issuer all amounts of principal due or overdue in respect of the Borrower Loans relating to repayments of principal on the Class B Bonds;
 - (ii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of all scheduled principal exchange amounts and all termination amounts or other unscheduled sums due and payable by the Issuer to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of the Class B Bonds (other than in respect of Issuer Subordinated Hedge Amounts);
 - (iii) all scheduled principal exchange amounts and all termination amounts or other unscheduled sums due and payable by the Borrower to each Borrower Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Junior Debt outstanding under any Authorised Credit Facility (other than amounts due under the Borrower Loan Agreements);
 - (iv) all amounts of principal due or overdue in respect of Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements);
- (l) *twelfth*, in or towards satisfaction of amounts payable under any Borrower Loan Agreement in respect of any Make-Whole Amount due and payable on the Class B Bonds;
- (m) *thirteenth*, so much of the interest under the Borrower Loan Agreements as relates to Subordinated Step Up Fee Amounts in respect of the Class A Bonds;
- (n) *fourteenth*, so much of the interest under the Borrower Loan Agreements as relates to Subordinated Step-Up Fee Amounts in respect of the Class B Bonds;
- (o) *fifteenth*, pro rata and *pari passu*, according to the respective amounts thereof:
- (i) to the Issuer by way of Ongoing Facility Fee, in respect of any Liquidity Subordinated Amount due by the Issuer to a Liquidity Facility Provider; and
 - (ii) any Liquidity Subordinated Amount due by the Borrower to a Liquidity Facility Provider;
- (p) *sixteenth*, pro rata and *pari passu*, according to the respective amounts thereof:
- (i) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of any Issuer Subordinated Hedge Amounts due or overdue by the Issuer to an Issuer Hedge Counterparty; and
 - (ii) any Borrower Subordinated Hedge Amounts due or overdue to a Borrower Hedge Counterparty;

- (q) *seventeenth*, (following repayment in full of the Senior Debt and the Junior Debt) all amounts of interest due or overdue in respect of Second Lien Debt;
- (r) *eighteenth*, (following repayment in full of the Senior Debt and the Junior Debt) all amounts of principal due or overdue in respect of Second Lien Debt; and
- (s) *nineteenth*, any surplus (if any) to an account or accounts specified by the Borrower Security Trustee to be applied by it thereafter in accordance with the foregoing provisions.

Borrower Post-Enforcement (Post-Acceleration) Priority of Payments

Subject to certain matters and to certain exceptions, following an enforcement and an acceleration, all Available Enforcement Proceeds will be applied by the Borrower Security Trustee as set out below, without double-counting:

- (a) *first*, pro rata and *pari passu*, according to the respective amounts thereof in or towards satisfaction of (i) the fees, costs, charges, liabilities, expenses and other remuneration and indemnity payments (if any) and any other amounts payable by any Obligor to the Borrower Security Trustee or any Receiver under any Transaction Document and (ii) to the Issuer by way of Ongoing Facility Fee, the amounts due in respect of the fees, costs, charges, liabilities, expenses and other remuneration and indemnity payments (if any) and any other amounts payable by the Issuer to the Issuer Security Trustee, the Bond Trustee and any Receiver under any Transaction Document;
- (b) *second*, pro rata and *pari passu*, according to the respective amounts thereof in or towards satisfaction of (i) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Borrower Account Bank incurred under the Borrower Account Bank Agreement and (ii) to the Issuer by way of Ongoing Facility Fee, in or towards satisfaction, pro rata and *pari passu* of the amounts payable by the Issuer in respect of:
 - (i) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Agents incurred under the Agency Agreement or any Calculation Agency Agreement;
 - (ii) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Issuer Account Bank incurred under the Issuer Account Bank Agreement;
 - (iii) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Issuer Corporate Administration Providers under the Issuer Corporate Administration Agreements; and
 - (iv) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Issuer Cash Manager incurred under the Issuer Cash Management Agreement;
- (c) *third*, prior to the delivery of a Bond Enforcement Notice only, an amount to the Issuer by way of Ongoing Facility Fee in or towards satisfaction, pro rata and *pari passu*, of:
 - (i) payment of amounts due and payable to any third party creditors of the Issuer, or to become due and payable to any third party creditors of the Issuer prior to the next Payment Date, of which the Issuer Cash Manager has notice prior to the relevant Payment Date, which amounts have been incurred without breach by the Issuer of the Issuer Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere); and
 - (ii) any amounts due and payable by the Issuer and for which the Issuer is primarily liable in respect of UK corporation tax, other than UK corporation tax on the Issuer Profit Amount,

which shall be met by the Issuer out of the Issuer Profit Amount and other tax for which the Issuer is liable under the laws of any jurisdiction; and

(iii) to the Issuer by way of Ongoing Facility Fee an amount equal to the Issuer Profit Amount;

(d) *fourth*, pro rata and *pari passu*, according to the respective amounts thereof:

(i) to the Issuer by way of Ongoing Facility Fee in respect of all amounts due by the Issuer to any Liquidity Facility Provider (and any facility agent and arranger under the Liquidity Facility Agreement) (other than amounts in respect of any Liquidity Subordinated Amounts);

(ii) all amounts due by a Borrower to any Liquidity Facility Provider (and any Liquidity Facility Agent and arranger under the Liquidity Facility Agreement) (other than in respect of any Liquidity Subordinated Amounts); and

(iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of each facility agent under the relevant Authorised Credit Facility;

(e) *fifth*, pro rata and *pari passu*, according to the respective amounts thereof:

(i) all amounts payable to each Borrower Hedge Counterparty under any Rate Hedging Agreement in respect of Senior Debt between a Borrower and a Borrower Hedge Counterparty (other than amounts in respect of Borrower Subordinated Hedge Amounts); and

(ii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of the amounts payable by the Issuer to each Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Senior Debt between the Issuer and an Issuer Hedge Counterparty (other than in respect of Issuer Subordinated Hedge Amounts);

(f) *sixth*, pro rata and *pari passu*, according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of:

(i) all amounts of interest due in respect of the Borrower Loans relating to payments of interest on the Class A Bonds (other than Subordinated Step-Up Fee Amounts); and

(ii) all amounts of interest, underwriting and commitment commissions due or overdue in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements);

(g) *seventh*, pro rata and *pari passu*, according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of:

(i) all amounts of principal due or overdue in respect of the Borrower Loans relating to repayments of principal on the Class A Bonds;

(ii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of any sums due and payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of the Class A Bonds (other than in respect of Issuer Subordinated Hedge Amounts);

(iii) all amounts of principal due or overdue in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements);

- (iv) any sums due and payable to each Borrower Hedge Counterparty under any Cross Currency Hedging Agreement in respect of the Senior Debt (other than in respect of Borrower Subordinated Hedge Amounts); and
 - (v) all amounts due to the Permitted Secured Guarantee Beneficiaries in respect of Permitted Secured Guarantee Liabilities in an aggregate amount up to the Permitted Secured Guarantee Maximum Amount;
- (h) *eighth*, in or towards satisfaction of amounts payable under any Borrower Loan Agreement in respect of any Make-Whole Amount due and payable on the Class A Bonds;
- (i) *ninth*, pro rata and *pari passu*, according to the respective amounts thereof:
- (i) all amounts payable to each Borrower Hedge Counterparty under any Rate Hedging Agreement in respect of Junior Debt between a Borrower and a Borrower Hedge Counterparty (other than amounts in respect of Borrower Subordinated Hedge Amounts); and
 - (ii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of the amounts payable to each Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Junior Debt between the Issuer and an Issuer Hedge Counterparty (other than in respect of Issuer Subordinated Hedge Amounts);
- (j) *tenth*, pro rata and *pari passu*, according to the respective amounts thereof, in or towards satisfaction of:
- (i) to the Issuer all amounts of interest due in respect of the Borrower Loans relating to payments of interest on the Class B Bonds (other than Subordinated Step-Up Fee Amounts); and
 - (ii) all amounts of interest, underwriting and commitment commissions due or overdue in respect of Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements);
- (k) *eleventh*, pro rata and *pari passu*, according to the respective amounts thereof, in each case without double counting, in or towards satisfaction of:
- (i) to the Issuer all amounts of principal due or overdue in respect of the Borrower Loans relating to repayments of principal on the Class B Bonds;
 - (ii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of any sums due and payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of the Class B Bonds (other than in respect of Issuer Subordinated Hedge Amounts); and
 - (iii) all amounts of principal due or overdue in respect of Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements);
 - (iv) all sums due and payable to each Borrower Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Junior Debt (other than amounts due under the Borrower Loans and other than in respect of Borrower Subordinated Hedge Amounts);
- (l) *twelfth*, in or towards satisfaction of amounts payable under any Borrower Loan Agreement in respect of any Make-Whole Amount due and payable on the Class B Bonds;

- (m) *thirteenth*, to the Issuer in or towards satisfaction of all Subordinated Step-Up Fee Amounts in respect of the Class A Bonds;
- (n) *fourteenth*, to the Issuer in or towards satisfaction of all Subordinated Step-Up Fee Amounts in respect of the Class B Bonds;
- (o) *fifteenth*, pro rata and *pari passu*, according to the respective amounts thereof;
 - (i) to the Issuer by way of Ongoing Facility Fee in or toward satisfaction of any Liquidity Subordinated Amount due by the Issuer to an Liquidity Facility Provider; and
 - (ii) any Liquidity Subordinated Amount due by the Borrower to a Liquidity Facility Provider;
- (p) *sixteenth*, pro rata and *pari passu*, according to the respective amounts thereof:
 - (i) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of any Issuer Subordinated Hedge Amounts due or overdue to any Issuer Hedge Counterparty, and
 - (ii) any Borrower Subordinated Hedge Amounts due or overdue to a Borrower Hedge Counterparty;
- (q) *seventeenth*, following all amounts of interest due or overdue in respect of Second Lien Debt;
- (r) *eighteenth*, all amounts of principal due or overdue in respect of Second Lien Debt; and
- (s) *nineteenth*, the surplus (if any) together with all amounts standing to the credit of the Obligor Accounts shall be available to each Obligor entitled thereto to deal with as it sees fit.

Issuer Pre-Enforcement Priority of Payments

Prior to the delivery of a Bond Enforcement Notice, amounts standing to the credit of the Issuer Accounts (subject to certain exceptions), will be applied by the Issuer Cash Manager (on behalf of the Issuer) in accordance with the following priority of payments, in each case only to the extent that preceding items have been paid in full and the relevant payment does not cause the Issuer Accounts to become overdrawn:

- (a) *first*, in or towards satisfaction, *pari passu* and pro rata according to the respective amounts thereof, of:
 - (i) the costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable (including any amounts in respect of VAT) by the Issuer on such Interest Payment Date to the Bond Trustee or any of its Appointees under the Bond Trust Deed or any other Issuer Transaction Document to which it is a party; and
 - (ii) the costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts due and payable (including any amounts in respect of VAT) by the Issuer on such Interest Payment Date to the Issuer Security Trustee or any of its Appointees under the Issuer Deed of Charge or any other Issuer Transaction Document to which it is a party;
- (b) *second*, in or towards satisfaction, pro rata and *pari passu* according to the respective amounts payable by the Issuer in respect of any amounts due and owing by the Issuer in respect of:
 - (i) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Paying Agents, Exchange Agent, Agent Bank, Registrar and Transfer Agent incurred under the Agency Agreement and any Calculation Agent under the Calculation Agency Agreement;

- (ii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Account Bank incurred under the Issuer Account Bank Agreement;
 - (iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Cash Manager under this Agreement;
 - (iv) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Corporate Administration Providers incurred under the Issuer Corporate Administration Agreements;
- (c) *third*, in or towards satisfaction, pro rata and pari passu, according to the respective amounts thereof, of:
- (i) amounts due and payable to any third party creditors of the Issuer, or to become due and payable to any third party creditors of the Issuer prior to the next Interest Payment Date, of which the Issuer Cash Manager has notice prior to the relevant Interest Payment Date, which amounts have been incurred without breach by the Issuer of the Issuer Transaction Documents (and for which payment has not been provided for elsewhere); and
 - (ii) any amounts due and payable by the Issuer and for which the Issuer is primarily liable in respect of all UK corporation tax and other tax for which the Issuer is liable under the laws of any jurisdiction other than UK corporation tax at the standard rate from time to time on the Issuer Profit Amount (which shall be met by the Issuer out of the Issuer Profit Amount);
- (d) *fourth*, all amounts payable by the Issuer to the Liquidity Facility Providers (and any Liquidity Facility Agent and arranger under the Liquidity Facility Agreement) (other than in respect of any Liquidity Subordinated Amounts);
- (e) *fifth*, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof:
- (i) all scheduled amounts payable to each Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or Class A Bonds between the Issuer and an Issuer Hedge Counterparty (other than in respect of Issuer Subordinated Hedge Amounts); and
 - (ii) all amounts due and payable by the Issuer to the Borrower pursuant to any back-to-back hedging arrangements in respect of all scheduled amounts received by the Issuer from the Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or Class A Bonds entered into between the Issuer and an Issuer Hedge Counterparty;
- (f) *sixth*, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof, in each case without double counting:
- (i) all amounts of interest due or overdue in respect of the Class A Bonds (other than principal and Subordinated Step-Up Fee Amounts);
 - (ii) all termination amounts or other unscheduled amounts payable to each Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class A Bonds between the Issuer and an Issuer Hedge Counterparty (other than Issuer Subordinated Hedge Amounts);

- (iii) all amounts due and payable by the Issuer to the Borrower pursuant to any back-to-back hedging arrangements in respect of all termination amounts or other unscheduled amounts received by the Issuer from the Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) entered into between the Issuer and an Issuer Hedge Counterparty;
 - (iv) all amounts due and payable by the Issuer to the Borrower pursuant to any back-to-back hedging arrangements in respect of all scheduled amounts (other than principal exchange amounts) received by the Issuer from the Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of the Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class A Bonds entered into between the Issuer and an Issuer Hedge Counterparty; and
 - (v) all amounts in respect of scheduled amounts (other than principal exchange amounts) payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of the Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class A Bonds;
- (g) *seventh*, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof, in each case without double counting:
- (i) all amounts of principal due or overdue in respect of the Class A Bonds;
 - (ii) all termination amounts or other unscheduled amounts payable to each Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of the Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class B Bonds between the Issuer and an Issuer Hedge Counterparty (other than Issuer Subordinated Hedge Amounts);
 - (iii) all amounts due and payable by the Issuer to the Borrower pursuant to any back-to-back hedging arrangements in respect of all termination amounts or other unscheduled amounts received by the Issuer from the Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class B Bonds entered into between the Issuer and an Issuer Hedge Counterparty;
 - (iv) all scheduled principal exchange amounts and all termination amounts or other unscheduled sums due and payable by the Issuer to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class A Bonds (other than in respect of Issuer Subordinated Hedge Amounts); and
 - (v) all amounts due and payable by the Issuer to the Borrower pursuant to any back-to-back hedging arrangements in respect of all scheduled principal exchange amounts and all termination amounts or other unscheduled sums received by the Issuer from the Issuer Hedge Counterparty under any Cross Currency Hedging Agreement entered into between the Issuer and an Issuer Hedge Counterparty in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class A Bonds;
- (h) *eighth*, in or towards satisfaction of any Make-Whole Amount payable on the Class A Bonds;
- (i) *ninth*, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof:

- (i) all scheduled amounts payable to each Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or Class B Bonds between the Issuer and an Issuer Hedge Counterparty (other than in respect of Issuer Subordinated Hedge Amounts); and
 - (ii) all amounts due and payable by the Issuer to the Borrower pursuant to any back-to-back hedging arrangements in respect of all scheduled amounts received by the Issuer from the Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or Class B Bonds entered into between the Issuer and an Issuer Hedge Counterparty;
- (j) *tenth*, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof, in each case without double counting:
- (i) all amounts of interest due or overdue in respect of the Class B Bonds (other than Subordinated Step-Up Fee Amounts);
 - (ii) all amounts due and payable by the Issuer to the Borrower pursuant to any back-to-back hedging arrangements in respect of scheduled amounts (other than principal exchange amounts) received by the Issuer from the Issuer Hedge Counterparty (under any Cross Currency Hedging Agreement received by the Issuer from the Issuer Hedge Counterparty in respect of Junior Debt (other than amounts due under the Borrower Loan Agreements) or the Class B Bonds;
 - (iii) all amounts in respect of all scheduled amounts (other than principal exchange amounts) payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class B Bonds; and
 - (iv) to the Issuer Liquidity Reserve Account the amount required to satisfy the minimum debt service funding requirements set out in paragraph 3.2 of part 3 (Trigger Event Remedies) of schedule 3 (Trigger Event) of the Common Terms Agreement;
- (k) *eleventh*, in or towards satisfaction pro rata and pari passu according to the respective amounts thereof, in each case without double counting:
- (i) all amounts of principal due or overdue in respect of the Class B Bonds;
 - (ii) all scheduled principal exchange amounts and all termination amounts or other unscheduled sums due and payable by the Issuer to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Junior Debt outstanding under any Authorised Credit Facility (other than amounts due under the Borrower Loan Agreements) or the Class B Bonds (other than in respect of Issuer Subordinated Hedge Amounts); and
 - (iii) all amounts due and payable by the Issuer to the Borrower pursuant to any back-to-back hedging arrangements in respect of scheduled principal exchange amounts and all termination amounts or other unscheduled sums received by the Issuer from the Issuer Hedge Counterparty under any Cross Currency Hedging Agreement received by the Issuer from the Issuer Hedge Counterparty in respect of Junior Debt outstanding under any Authorised Credit Facility (other than amounts due under the Borrower Loan Agreements) or the Class B Bonds;
- (l) *twelfth*, in or towards satisfaction of any Make-Whole Amount payable on the Class B Bonds;

- (m) *thirteenth*, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof, in or towards satisfaction of all Subordinated Step-Up Fee Amounts due or overdue in respect of the Class A Bonds;
- (n) *fourteenth*, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof, in or towards satisfaction of all Subordinated Step-Up Fee Amounts due or overdue in respect of the Class B Bonds;
- (o) *fifteenth*, in or towards satisfaction pro rata and pari passu according to the respective amounts thereof, of any Liquidity Subordinated Amounts due by the Issuer to the Liquidity Facility Providers;
- (p) *sixteenth*, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof, of any Issuer Subordinated Hedge Amounts due or overdue to an Issuer Hedge Counterparty;
- (q) *seventeenth*, after retaining the Issuer Profit Amount, (which the Issuer may, after meeting any corporation tax thereon, use to pay a dividend or otherwise to pay to such account or person nominated by the Issuer), any remaining amount by way of rebate of Ongoing Facility Fees to the Borrower under the terms of the Borrower Loan Agreements.

Issuer Post-Enforcement Priority of Payments

After the service of a Bond Enforcement Notice by the Bond Trustee in accordance with Condition 10(b) (*Delivery of a Bond Enforcement Notice*) the Issuer Cash Manager shall (to the extent that such funds are available) use funds standing to the credit of the Issuer Accounts (subject to certain exceptions) to make payments in the following order of priority:

- (a) *first*, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof, of:
 - (i) the costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable (including any amounts in respect of VAT to the extent provided for in the Bond Trust Deed or relevant Issuer Transaction Document) by the Issuer to the Bond Trustee or any of its Appointees under the Bond Trust Deed or any other Issuer Transaction Document to which it is a party;
 - (ii) the costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable (including any amounts in respect of VAT to the extent provided for in this Deed or relevant Issuer Transaction Document) by the Issuer to the Issuer Security Trustee or any of its Appointees under this Deed or any other Issuer Transaction Document to which it is a party; and
 - (iii) the costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable (including any amounts in respect of VAT to the extent provided for in this Deed) by the Issuer to any Receiver appointed by the Issuer Security Trustee under this Deed;
- (b) *second*, in or towards satisfaction, pro rata and pari passu, according to the respective amounts thereof in respect of any amounts due and payable by the Issuer in respect of:
 - (i) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Paying Agents, Exchange Agent, Agent Bank, Registrar and Transfer Agent incurred under the Agency Agreement and any Calculation Agent under the Calculation Agency Agreement (including any amounts in respect of VAT to the extent provided therein);

- (ii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Account Bank incurred under the Issuer Account Bank Agreement (including any amounts in respect of VAT to the extent provided therein);
 - (iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Cash Manager under the Issuer Cash Management Agreement (including any amounts in respect of VAT to the extent provided therein); and
 - (iv) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Corporate Administration Providers incurred under the Issuer Corporate Administration Agreements (including any amounts in respect of VAT to the extent provided therein),
- (c) *third*, in or towards satisfaction, pro rata and pari passu, according to the respective amounts thereof, of all amounts due from the Issuer to the Liquidity Facility Providers (and any Liquidity Facility Agent and arranger under the Liquidity Facility Agreement)(other than in respect of any Liquidity Subordinated Amounts);
- (d) *fourth*, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof of, in each case without double counting:
- (i) all amounts payable to each Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class A Bonds between the Issuer and an Issuer Hedge Counterparty (other than in respect of Issuer Subordinated Hedge Amounts); and
 - (ii) all amounts due and payable by the Issuer to the Borrower pursuant to any back-to-back hedging arrangements in respect of amounts received by the Issuer from the Issuer Hedge Counterparties (other than the Borrower) under any Rate Hedging Agreement in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class A Bonds entered into between the Issuer and an Issuer Hedge Counterparty (other than the Borrower);
- (e) *fifth*, in or towards satisfaction of all amounts of interest due and payable in respect of the Class A Bonds (other than Subordinated Class A Step-Up Fee Amounts);
- (f) *sixth*, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof, in each case without double counting:
- (i) all amounts of principal due and payable or overdue in respect of the Class A Bonds and
 - (ii) all amounts due and payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Senior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class A Bonds (other than in respect of Issuer Subordinated Hedge Amounts);
 - (iii) all amounts due and payable by the Issuer to the Borrower pursuant to any back-to-back hedging arrangements in respect of any amounts received by the Issuer from the Issuer Hedge Counterparties under any Cross Currency Hedging Agreement entered into between the Issuer and an Issuer Hedge Counterparty in respect of Senior Debt outstanding under any Authorised Credit Facility (other than any Borrower Loan Agreement) or the Class A Bonds;
- (g) *seventh*, in or towards satisfaction of any Make-Whole Amount payable on the Class A Bonds;

- (h) *eighth*, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof of, in each case without double counting:
 - (i) all amounts payable to each Issuer Hedge Counterparty under any Rate Hedging Agreement in respect of Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class B Bonds between the Issuer and an Issuer Hedge Counterparty (other than in respect of Issuer Subordinated Hedge Amounts); and
 - (ii) all amounts due and payable by the Issuer to the Borrower pursuant to any back-to-back hedging arrangements in respect of amounts received by the Issuer from the Issuer Hedge Counterparties (other than the Borrower) under any Rate Hedging Agreement in respect of Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class B Bonds entered into between the Issuer and an Issuer Hedge Counterparty (other than the Borrower);
- (i) *ninth*, in or towards satisfaction of all amounts of interest due and payable in respect of the Class B Bonds (other than Subordinated Class B Step-Up Fee Amounts);
- (j) *tenth*, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof, of:
 - (i) all amounts of principal due and payable or overdue in respect of the Class B Bonds;
 - (ii) all amounts due and payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class B Bonds (other than in respect of Issuer Subordinated Hedge Amounts); and
 - (iii) all amounts due and payable by the Issuer to the Borrower pursuant to any back-to-back hedging arrangements in respect of any amounts received by the Issuer from the Issuer Hedge Counterparties under any Cross Currency Hedging Agreement entered into between the Issuer and an Issuer Hedge Counterparty in respect of Junior Debt outstanding under any Authorised Credit Facility (other than the Borrower Loan Agreements) or the Class B Bonds;
- (k) *eleventh*, in or towards satisfaction of any Make-Whole Amount on the Class B Bonds;
- (l) *twelfth*, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof, of all Subordinated Step-Up Fee Amounts due and payable or overdue in respect of the Class A Bonds;
- (m) *thirteenth*, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof, of all Subordinated Step-Up Fee Amounts due and payable or overdue in respect of the Class B Bonds;
- (n) *fourteenth*, in or towards satisfaction, pro rata and pari passu, of any Liquidity Subordinated Amounts due and payable to the Liquidity Facility Providers by the Issuer;
- (o) *fifteenth*, in or towards satisfaction, pro rata and pari passu, according to the respective amounts thereof, of any Issuer Subordinated Hedge Amounts due or overdue to any Issuer Hedge Counterparty; and
- (p) *thereafter*, after retaining the Issuer Profit Amount (which the Issuer may, after meeting any corporation tax thereon, use to pay a dividend or otherwise to pay to such account or person

nominated by the Issuer), any remaining amount by way of rebate of the Initial Facility Fee and/or Ongoing Facility Fee pursuant to the terms of the Borrower Loan Agreements.

TERMS AND CONDITIONS

*The following is the text of the terms and conditions which (subject to completion and amendment and a supplemented or varied in accordance with the provisions of the relevant Final Terms and, save for the italicised paragraphs) will be incorporated by reference into each Global Bond and each definitive Bond (in the latter case only if such incorporation by reference is permitted by the rules of the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Bond will have endorsed thereon or attached thereto such terms and conditions). Further information with respect to each Tranche of Bonds will be given in the relevant Final Terms which will provide for those aspects of these Conditions which are applicable to such Tranche of Bonds and, in the case of all Sub-Classes, the terms of the relevant advance under the loan agreement to be entered into by, among others, the Issuer and Gatwick Airport Limited (as the **Borrower**) (the **Borrower Loan Agreement**). Either (i) the full text of these terms and conditions together with the relevant Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions) will be endorsed upon, or attached to, each Global Bond and definitive Bond. References in the Conditions to Bonds are as the context requires, references to the Bonds of one Sub-Class only, not to all Bonds which may be issued under the Programme. Reference should be made to the "Pro Forma Final Terms" for a description of the content of Final Terms which will specify which of the terms are to apply in relation to the relevant Bonds.*

References herein to the Bonds shall be references to the Bonds of a Sub-Class and shall mean:

- (a) in relation to a Global Bond, units of each Specified Denomination in the Specified Currency;
- (b) any Global Bond;
- (c) any Bearer Bonds issued in exchange for a Global Bond in bearer form; and
- (d) Registered Bonds (whether or not issued in definitive form and whether or not in exchange for a Global Bond in registered form).

Gatwick Funding Limited (the **Issuer**) has established a bond programme (the Programme) for the issuance of bonds (the **Bonds**). Bonds issued under the Programme on a particular Issue Date comprise a Series (a Series), and each Series comprises one or more Classes of Bonds (each a **Class**). Each Class may comprise one or more Sub-Classes (each a **Sub-Class**) and each Sub-Class comprises one or more tranches (each a **Tranche**).

The Bonds will be designated as Class A Bonds or Class B Bonds. Each Sub-Class will be denominated in different currencies or have different interest rates, maturity dates or other terms. Bonds of any Class may be zero coupon (**Zero Coupon Bonds**), fixed rate (**Fixed Rate Bonds**), floating rate (**Floating Rate Bonds**), index-linked (**Indexed Bonds**), dual currency bonds (**Dual Currency Bonds**), partly paid bonds (**Partly Paid Bonds**) or instalment bonds (**Instalment Bonds**) depending on the method of calculating interest payable in respect of such Bonds and may be denominated in sterling, euro, U.S. dollars or in other currencies subject to compliance with applicable law.

The terms and conditions applicable to any particular Sub-Class of Bonds are these terms and conditions (**Conditions**) as supplemented by a set of final terms in relation to such Sub-Class (**Final Terms**). In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

The Bonds will be subject to and have the benefit of a bond trust deed to be dated the Establishment Date (as defined below) as the same may be amended, supplemented, restated and/or novated from time to time (the

Bond Trust Deed), between the Issuer and Deutsche Trustee Company Limited as trustee (the Bond Trustee, which expression includes the trustee or trustees for the time being of the Bond Trust Deed).

The Bonds have the benefit (to the extent applicable) of an agency agreement (as amended, supplemented and/or restated from time to time, the **Agency Agreement**) to be dated on or about the Establishment Date (to which, among others, the Issuer, the Bond Trustee, the Principal Paying Agent and the other Paying Agents (in the case of Bearer Bonds) or the Transfer Agents and the Registrar (in the case of Registered Bonds) are party). As used herein, each of **Principal Paying Agent, Paying Agents, Exchange Agent, Agent Bank, Transfer Agent** and/or **Registrar** means, in relation to the Bonds, the persons specified in the Agency Agreement as the Principal Paying Agent, Paying Agents, Agent Bank, Transfer Agent and/or Registrar, respectively, and, in each case, any successor to such person in such capacity, and Agents shall mean the Principal Paying Agent, the Transfer Agent, the Exchange Agent, the Registrar, the Agent Bank, any Calculation Agent (as defined below) appointed thereunder and any additional Paying Agents also appointed thereunder. The Bonds may also have the benefit (to the extent applicable) of a calculation agency agreement (in the form or substantially in the form of schedule 1 to the Agency Agreement, the **Calculation Agency Agreement**) between, inter alia, the Issuer and any calculation agent appointed by the Issuer as calculation agent (the **Calculation Agent**).

On or about the Establishment Date, the Issuer will enter into a deed of charge (the **Issuer Deed of Charge**) with Deutsche Trustee Company Limited as security trustee (the **Issuer Security Trustee**, which expression includes the security trustee or trustees for the time being of the Issuer Deed of Charge), pursuant to which on or prior to the Initial Issue Date the Issuer will grant the **Issuer Security** (as defined in Condition 4(a) (*Security*)) to the Issuer Security Trustee for itself and on behalf of the Bondholders, each Issuer Hedge Counterparty, each Liquidity Facility Provider, the Principal Paying Agent, each Paying Agent, the Exchange Agent, the Calculation Agent (if any), the Transfer Agent, the Registrar, The Royal Bank of Scotland plc (acting in its capacity as **Issuer Account Bank** and any other financial institution which accedes to the Issuer Account Bank Agreement as an Issuer Account Bank), the Agent Bank, Gatwick Airport Limited (in its capacity as **Issuer Cash Manager** under the Issuer cash management agreement entered into by, among others, the Issuer and the Issuer Cash Manager (the **Issuer Cash Management Agreement**) and Structured Finance Management Offshore Limited (in its capacity as the **Jersey Corporate Administration Provider**) and Structured Finance Management Limited (in its capacity as the **UK Corporate Administration Provider** and, together with the Jersey Corporate Administration Provider, the **Issuer Corporate Administrative Providers**) (together, the **Issuer Secured Creditors**).

On or before the Establishment Date, the Issuer will enter into a dealership agreement (the **Dealership Agreement**) with the dealers named therein (the **Dealers**) in respect of the Programme, pursuant to which any of the Dealers may enter into a Subscription Agreement (each a **Subscription Agreement**) in relation to each Sub-Class of Bonds issued by the Issuer, and pursuant to which the Dealers will agree to subscribe for the relevant Sub-Class of Bonds. In any Subscription Agreement relating to a Sub-Class of Bonds, any of the Dealers may agree to procure subscribers to subscribe for the relevant Sub-Class of Bonds.

On or around the Establishment Date, the Issuer and the Borrower will enter into a liquidity facility agreement (the **Liquidity Facility Agreement**) with certain liquidity facility providers (together, the **Liquidity Facility Providers**) pursuant to which the Liquidity Facility Providers agree to make certain facilities (the **Liquidity Facilities**) available to meet liquidity shortfalls.

The Issuer may enter into certain currency, inflation-linked and interest rate hedging agreements (together, the **Issuer Hedging Agreements**) with certain hedge counterparties (together, the **Issuer Hedge Counterparties**) in respect of certain Sub-Classes of Bonds, pursuant to which the Issuer hedges certain of its currency and interest rate obligations. The Issuer may also enter into back to back swap arrangements with the Borrower on substantially the same terms as the corresponding Issuer Hedging Agreements between the Issuer and the relevant Issuer Hedge Counterparties.

On the Establishment Date, the Issuer will enter into the common terms agreement with, among others, the Borrower (the **Common Terms Agreement**) and a security trust and intercreditor deed between amongst others, the Obligors, Deutsche Trustee Company Limited (in its capacity as the Borrower Security Trustee) and the other creditors referred to therein (the **Borrower Secured Creditors**) (the **STID**).

The deed of charge and guarantee executed by each of the Obligors in favour of the Borrower Security Trustee on or about the Establishment Date (the **Borrower Security Agreement**) (to become effective on or prior to the Initial Issue Date) comprise the **Security Documents**.

The Bond Trust Deed, the Bonds (including these Conditions and the applicable Final Terms), the Issuer Deed of Charge, the Agency Agreement, the Liquidity Facility Agreement, the Issuer Hedging Agreements, the Borrower Loan Agreement, the Common Terms Agreement, the Borrower Security Agreement, the STID, the conditions precedent agreement to be entered into between, among others, the Issuer, the Bond Trustee, the Issuer Security Trustee, the Borrower Security Trustee and the Obligors on the Establishment Date (the **CP Agreement**), the Issuer Cash Management Agreement, the master definitions agreement between, among others, the Issuer and the Bond Trustee to be dated the Establishment Date (the **Master Definitions Agreement**), the Issuer account bank agreement between, among others, the Issuer Account Bank, the Issuer and the Issuer Security Trustee (the **Issuer Account Bank Agreement**) and the Tax Deed to be dated on or prior to the Establishment Date (the **Tax Deed**), and any related document (each, if not defined above, as defined below or in the Master Definitions Agreement) are, in relation to the Bonds, together referred to as the **Issuer Transaction Documents**.

Certain statements in these Conditions are summaries of the detailed provisions appearing on the face of the Bonds (which expression shall include the body thereof), in the relevant Final Terms, the Bond Trust Deed, the Issuer Deed of Charge and the other Issuer Transaction Documents. Copies of the Issuer Transaction Documents (other than the Dealership Agreement) are available for inspection during normal business hours at the specified offices of the Principal Paying Agent (in the case of Bearer Bonds (as defined below)) or the specified offices of the Transfer Agents and the Registrar (in the case of Registered Bonds (as defined below)), save that, if this Bond is an unlisted Bond of any Sub-Class, the applicable Final Terms will only be obtainable by a Bondholder holding one or more unlisted Bonds of that Sub-Class and such Bondholder must provide evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Bonds and identity.

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Bond Trust Deed, the Issuer Deed of Charge, the relevant Final Terms and the other Issuer Transaction Documents applicable to them. In these Conditions, words denoting the singular number only shall include the plural number also and vice versa.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions Agreement and these Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions Agreement.

Any reference in these Conditions to a matter being **specified** means as the same may specified in the relevant Final Terms.

1. Form, Denomination and Title

(a) Form, Denomination and Title

The Bonds are in bearer form (**Bearer Bonds**) or in registered form (**Registered Bonds**) as specified in the applicable Final Terms and, in the case of Definitive Bonds, serially numbered in the Specified Currency and the Specified Denomination(s) provided that in the case of any Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the

publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall not be less than €100,000 or the equivalent of €100,000 in any other currency as at the date of issue of the relevant Bonds. Bonds may be issued in such denomination and higher integral multiples of a smaller amount if specified in the applicable Final Terms. Bonds of one Specified Denomination may not be exchanged for Bonds of another Specified Denomination and Registered Bonds may not be exchanged for Bearer Bonds. References in these Conditions to Bonds include Bearer Bonds and Registered Bonds and all Sub-Classes, Classes, Tranches and Series.

So long as the Bonds are represented by a temporary Global Bond or permanent Global Bond and the relevant Clearing System(s) so permit, the Bonds shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

Bonds may be Fixed Rate Bonds, Floating Rate Bonds, Zero Coupon Bonds, Indexed Bonds, Dual Currency Interest Bonds or a combination of any of the foregoing, depending upon the Interest Basis specified in the applicable Final Terms.

Bonds may be Indexed Bonds, Instalment Bonds, Dual Currency Redemption Bonds, Partly Paid Bonds or a combination of any of the foregoing, depending upon the Redemption/Payment Basis specified in the applicable Final Terms.

Interest-bearing Bearer Definitive Bonds are issued with Coupons (as defined below) (and, where appropriate, a Talon, (as defined below)) attached. After all the Coupons attached to, or issued in respect of, any Bearer Bond which was issued with a Talon have matured, a coupon sheet comprising further Coupons (other than Coupons which would be void) and (if necessary) one further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent.

Any Bearer Definitive Bond the principal amount of which is redeemable in instalments may be issued with one or more Receipts (as defined below) (and, where appropriate, a Talon) attached thereto. After all the Receipts attached to, or issued in respect of, any Instalment Bond which was issued with a Talon have matured, a receipt sheet comprising further Receipts (other than Receipts which would be void) and (if necessary) a further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent.

Subject as set out below, title to the Bearer Bonds, Receipts and Coupons will pass by delivery and title to the Registered Bonds will pass upon registration of transfers in the Register by the Registrar, in accordance with the provisions of the Agency Agreement. The Issuer, the Bond Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Bond, Receipt or Coupon and the registered holder of any Registered Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Bond, without prejudice to the provisions set out in the next succeeding paragraphs.

For so long as any of the Bonds is represented by a Global Bond held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Bond Trustee and the Agents as the holder of such nominal amount of such Bonds for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Bonds, for which purpose the bearer of the relevant Bearer Global Bond or the registered holder of the relevant Registered Global Bond shall be treated by the Issuer, the Bond Trustee and any Agent as the holder of such nominal amount of such Bonds in accordance

with and subject to the terms of the relevant Global Bond and the expressions **Bondholder** and **holder of Bonds** and related expressions shall be construed accordingly.

For so long as the DTC or its nominee is the registered owner or holder of a Registered Global Bond, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Bonds represented by such Registered Global Bond for all purposes under the Bond Trust Deed and the Agency Agreement and the Bonds except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

In determining whether a particular person is entitled to a particular nominal amount of Bonds as aforesaid, the Bond Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Bonds which are represented by a Global Bond will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Bond Trustee.

(b) *Fungible Issues of Bonds comprising a Sub-Class*

The Issuer may, from time to time, without the consent of the Bondholders, Receiptholders or Couponholders, create and issue further Bonds having the same terms and conditions as the Bonds of a Sub-Class in all respects (or in all respects except for the first payment of interest). Accordingly, a Sub-Class of Bonds may comprise a number of issues in addition to the initial Tranche of such Sub-Class. Such further issues of the same Sub-Class will be consolidated and form a Series with the prior issues of that Sub-Class.

2. Exchanges of Bearer Bonds for Registered Bonds and Transfers of Registered Bonds

(a) *Exchange of Bonds*

Subject to Condition 2(f) (*Closed Periods*), Bearer Bonds may, if so specified in the relevant Final Terms, be exchanged at the expense of the transferor Bondholder for the same aggregate principal amount of Registered Bonds at the request in writing of the relevant Bondholder and upon surrender of the Bearer Bond to be exchanged together with all unmatured Coupons, Receipts and Talons (if any) relating to it at the specified office of the Registrar or any Transfer Agent or Paying Agent. Where, however, a Bearer Bond is surrendered for exchange after the Record Date for any payment of interest or Interest Amount, the Coupon in respect of that payment of interest or Interest Amount need not be surrendered with it. Registered Bonds may not be exchanged for Bearer Bonds.

(b) *Transfers of interests in Registered Global Bonds*

Transfers of beneficial interests in Registered Global Bonds will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Bond will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Bonds in definitive form or for a beneficial interest in another Registered Global Bond only in the authorised

denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Bond Trust Deed and the Agency Agreement. Transfers of a Registered Global Bond registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Bond, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(c) *Transfers of Registered Definitive Bonds*

Subject as provided in Conditions 2(d) (*Registration of transfer upon partial redemption*), 2(e) (*Exchange or Transfer at the Expense of Transferor Bondholder*), 2(f) (*Closed Periods*), 2(g) (*Regulations Concerning the Transfer of Registered Bonds*), and 2(i) (*Transfers of interests in Legended Bonds*), upon the terms and subject to the conditions set forth in the Bond Trust Deed and the Agency Agreement, a Registered Bond in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Bond for registration of the transfer of the Registered Bond (or the relevant part of the Registered Bond) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required the Registrar or, as the case may be, by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Bond Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 3 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Bond in definitive form of a like aggregate nominal amount to the Registered Bond (or the relevant part of the Registered Bond) transferred. In the case of the transfer of part only of a Registered Bond in definitive form, a new Registered Bond in definitive form in respect of the balance of the Registered Bond not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(d) *Registration of transfer upon partial redemption*

In the event of a partial redemption of Bonds under Condition 7 (*Redemption, Purchase and Cancellation*), the Issuer shall not be required to register the transfer of any Registered Bond, or part of a Registered Bond, called for partial redemption.

(e) *Exchange or Transfer at the Expense of Transferor Bondholder*

Registration of Bonds on exchange or transfer will be effected at the expense of the transferor Bondholder by or on behalf of the Issuer, the Transfer Agent or the Registrar, and upon payment of (or the giving of such indemnity as the Transfer Agent or the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

(f) *Closed Periods*

No transfer of a Registered Bond may be registered, nor may any exchange of a Bearer Bond for a Registered Bond occur during the period of 15 days ending on the due date for any payment of principal, interest, Interest Amount or Redemption Amount on that Bond.

(g) *Regulations Concerning the Transfer of Registered Bonds*

All transfers of Registered Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Principal Paying Agent, the Bond Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder who requests in writing a copy of such regulations.

(h) *Transfers of interests in Regulation S Global Bonds*

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Bond to a transferee in the United States or who is a U.S. person will only be made:

- (i) upon receipt by the Registrar of a Transfer Certificate, copies of which are available from the specified office of any Transfer Agent, from the transferor of the Bond or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

In the case of paragraph (i) above, such transferee may take delivery through a Legended Bond in global or definitive form. After expiry of the applicable Distribution Compliance Period (A) beneficial interests in Regulation S Global Bonds registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (B) such certification requirements will no longer apply to such transfers.

(i) *Transfers of interests in Legended Bonds*

Transfers of Legended Bonds or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Bond, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Bond registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Bonds being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Bond where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Bonds, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Bonds or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

3. Status of Bonds

(a) Status of Class A Bonds

This Condition 3(a) is applicable only in relation to Bonds which are specified as being a Sub-Class of Class A Bonds.

The Class A Bonds, Class A Coupons, Class A Talons and Class A Receipts (if any) are direct and unconditional obligations of the Issuer, are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Issuer Secured Creditors*) and rank pari passu without any preference among themselves.

(b) Status of Class B Bonds

This Condition 3(b) is applicable only in relation to Bonds which are specified as being a Sub-Class of Class B Bonds.

The Class B Bonds, Class B Coupons, Class B Talons and Class B Receipts (if any) are direct and unconditional obligations of the Issuer, are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Issuer Secured Creditors*), are subordinated to the Class A Bonds, Class A Coupons, Class A Receipts and Class A Talons (if any) and rank pari passu without any preference among themselves.

4. Security, Priority and Relationship with Issuer Secured Creditors

(a) Security

As continuing security for the payment or discharge of all present and future obligations and liabilities (whether actual or contingent) of the Issuer to any Issuer Secured Creditor under each Issuer Transaction Document (the **Issuer Secured Liabilities** (including, without limitation, all monies payable in respect of the Bonds, Coupons and Receipts and otherwise under the Bond Trust Deed, the Issuer Deed of Charge and any deed or other document executed in accordance with the Bond Trust Deed or Issuer Deed of Charge and expressed to be supplemental to the Bond Trust Deed or Issuer Deed of Charge (as applicable) (the **Trust Documents**) (including, without limitation, the remuneration, expenses and other claims of the Bond Trustee under the Bond Trust Deed and the Issuer Security Trustee and any Receiver appointed under the Issuer Deed of Charge)), the Issuer has entered into the Issuer Deed of Charge to create as far as permitted by and subject to compliance

with any applicable law, the following security (the **Issuer Security**) in favour of the Issuer Security Trustee for itself and on trust for the other Issuer Secured Creditors:

- (i) an assignment by way of first fixed security of all of the rights of the Issuer under each Issuer Charged Document (other than the Trust Documents);
- (ii) a first fixed charge over all of the rights in the Issuer Accounts;
- (iii) an assignment by way of first fixed security, subject to a proviso for re-assignment on redemption (or, to the extent not assignable, a first fixed charge), of all rights of the Issuer in relation to the GFL Interest (as defined under the Liquidity Standby Account Declaration of Trust) in respect of the Liquidity Standby Account;
- (iv) a first fixed charge over all rights of the Issuer in respect of the benefit of all authorisations (statutory or otherwise) held in connection with its use of any Issuer Charged Property and any compensation which may be payable to it in respect of those authorisations;
- (v) a first fixed charge over all of the rights of the Issuer in respect of each Authorised Investment of the Issuer; and
- (vi) a first floating charge over all the Issuer's assets including, without limitation, the Issuer's uncalled capital other than any assets at any time otherwise effectively charged or assigned by way of a fixed charge or assignment and the Jersey Corporate Administration Agreement.

All Bonds issued by the Issuer under the Programme will share in the Issuer Security constituted by the Issuer Deed of Charge, upon and subject to the terms thereof.

(b) Relationship among Bondholders and with other Issuer Secured Creditors

The Bond Trust Deed contains provisions detailing the Bond Trustee's obligations to consider the interests of Bondholders as regards all discretions of the Bond Trustee (except where expressly provided otherwise or referred to in Condition 15 (*Bond Trustee Protections*)).

(c) Enforceable Security

In the event of the Issuer Security becoming enforceable as provided in the Issuer Deed of Charge, the Bond Trustee shall, if directed or requested in writing by the Issuer Qualifying Creditors together holding or representing 25% or more of the Issuer Qualifying Debt, direct the Issuer Security Trustee to enforce its rights with respect to the Issuer Security, but without any liability as to the consequence of such action and without having regard to the effect thereof on, or being required to account for such action to, any particular Bondholder, provided that neither the Bond Trustee nor the Issuer Security Trustee shall be obliged to take any action unless they are indemnified and/or secured and/or prefunded to their satisfaction.

For the purpose of these Conditions:

Borrower Hedge Counterparty means a Hedge Counterparty who is a party to a Borrower Hedging Agreement (together, the Borrower Hedge Counterparties);

Cross Currency Hedge Counterparties means (a) the Issuer Hedge Counterparties which are party to a Cross Currency Hedging Agreement and which are party to the STID and (b) any counterparty to a Cross Currency Hedging Agreement which is or becomes party to the STID in accordance with the STID and **Cross Currency Hedge Counterparty** means any of such parties;

Cross Currency Hedging Agreement means any Hedging Agreement in respect of a Treasury Transaction which is a currency swap or exchange transaction;

Hedge Counterparties means (a) the Issuer Hedge Counterparties (b) the Borrower Hedge Counterparties and (c) any counterparty which accedes as a hedge counterparty to the STID and the Common Terms Agreement and, in the case of any Treasury Transaction with the Issuer, the Issuer Deed of Charge and Hedge Counterparty means any of such parties;

Hedging Agreement means any Treasury Transaction entered or to be entered into by the Issuer or the Borrower with a Hedge Counterparty under the Hedging Policy to hedge interest rate exposure, index exposure and currency risk in relation to the Relevant Debt or the Bonds;

Hedging Policy means the initial hedging policy applicable to the Obligors and the Issuer set out in Schedule 5 (Hedging Policy and Overriding Provisions Relating to Hedging Agreements) to the Common Terms Agreement as such hedging policy may be amended from time to time by agreement between the Borrower Security Trustee, the Issuer, the Borrower and the Hedge Counterparties in accordance with the STID;

Issuer Hedge Counterparty means a Hedge Counterparty who is party to an Issuer Hedging Agreement (together, the **Issuer Hedge Counterparties**);

Issuer Qualifying Creditors means, in respect of Issuer Qualifying Debt:

- (i) for so long as any Class A Bonds remain outstanding, the holders of the Class A Bonds and each Cross Currency Hedge Counterparty that is party to a Cross Currency Hedging Agreement in respect of the Class A Bonds; or
- (ii) if there are no Class A Bonds then outstanding and for so long as any Class B Bonds remain outstanding, the holders of the Class B Bonds and each Cross Currency Hedge Counterparty that is party to a Cross Currency Hedging Agreement in respect of the Class B Bonds;

Issuer Qualifying Debt means:

- (i) for so long as any Class A Bonds remain outstanding, the sum of (i) the Principal Amount Outstanding of the Class A Bonds and (ii) the mark-to-market value of all transactions arising under Cross Currency Hedging Agreements in respect of the Class A Bonds to the extent that such value represents an amount which would be payable to the relevant Cross Currency Hedge Counterparties if an early termination date was designated at such time in respect of such transactions; or
- (ii) if there are no Class A Bonds then outstanding and for so long as any Class B Bonds remain outstanding, the sum of (i) the Principal Amount Outstanding of the Class B Bonds and (ii) the mark-to-market value of all transactions arising under Cross Currency Hedging Agreements in respect of the Class B Bonds to the extent that such value represents an amount which would be payable to the relevant Cross Currency Hedge Counterparties if an early termination date was designated at such time in respect of such transactions;

Relevant Debt has the meaning given to it in the Hedging Policy; and

Treasury Transaction means any currency or interest rate purchase, cap or collar agreement, forward rate agreement, interest rate agreement, index-linked agreement, interest rate or currency or future or option contract, foreign exchange or currency purchase or sale agreement, interest rate swap, currency swap or combined similar agreement or any derivative transaction protecting against or benefitting from fluctuations in any rate or price.

(d) *Application After Enforcement*

After enforcement of the Issuer Security, the Issuer Security Trustee shall (to the extent that such funds are available) use funds standing to the credit of the Issuer Accounts and any other proceeds of the enforcement of the Issuer Security to make payments in accordance with the Issuer Post-Enforcement Priority of Payments (as set out in the Issuer Deed of Charge).

5. Interest and other Calculations

(a) *Interest Rate and Accrual*

Each Bond (unless specified in the relevant Final Terms to be a Zero Coupon Bond) bears interest on its Principal Amount Outstanding (or as otherwise specified in the relevant Final Terms) from the Interest Commencement Date at the Interest Rate, such interest being payable in arrear (unless otherwise specified in the relevant Final Terms) on each Interest Payment Date.

Interest will cease to accrue on each Bond (or, in the case of the redemption of part only of a Bond, that part only of such Bond) on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after judgment) at the Interest Rate that would otherwise apply in respect of unpaid amounts on such Bonds at such time to the Bond Relevant Date).

In the case of interest on Class B Bonds only, if, on any Interest Payment Date, prior to the delivery of a Bond Enforcement Notice, there are insufficient funds available to the Issuer in accordance with the applicable Issuer Payment Priorities (after taking into account the amounts available to be drawn by the Issuer under any Liquidity Facility) to pay such accrued interest, the Issuer's liability to pay such accrued interest will be treated as not having fallen due and will be deferred until the earliest of: (i) the next following Interest Payment Date on which the Issuer has, in accordance with the cash management provisions of the Issuer Cash Management Agreement, sufficient funds available to pay such deferred amounts (including any interest accrued thereon); (ii) the date on which the Senior Debt has been paid in full; and (iii) the date on which a Bond Enforcement Notice has been delivered. Interest will accrue on such deferred interest at the rate otherwise payable on unpaid principal of such Class B Bonds at such time.

If any **Maximum Interest Rate** or **Minimum Interest Rate** is specified in the relevant Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified, as the case may be.

(b) *Business Day Convention*

If any date referred to in these Conditions or the relevant Final Terms is specified to be subject to adjustment in accordance with a Business Day convention (each, a **Business Day Convention**) and would otherwise fall on a day which is not a Business Day, then if the Business Day Convention specified in the relevant Final Terms is:

- (i) the **Following Business Day Convention**, such date shall be postponed to the next day which is a Business Day;
 - (ii) the **Modified Following Business Day Convention**, such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day;
- or

- (iii) the **Preceding Business Day Convention**, such date shall be brought forward to the immediately preceding Business Day.

(c) ***Floating Rate Bonds***

This Condition 5(c) is applicable only if the relevant Final Terms specify the Bonds as Floating Rate Bonds.

If **Screen Rate Determination** is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate applicable to the Bonds for each Interest Period will be determined by the Agent Bank (or the Calculation Agent, if applicable) on each Interest Determination Date on the following basis:

- (i) if the Relevant Screen Page displays a rate which is a composite quotation or customarily supplied by one entity, the Agent Bank (or the Calculation Agent, if applicable) will determine the Relevant Rate (as defined in Condition 5(i) (*Definitions*));
- (ii) in any other case, the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the Relevant Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date (as defined in Condition 5(i) (*Definitions*)) provided that, if five or more offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one highest quotation, one only of those quotations) and the lowest (or, if there is more than one lowest quotation, one only of those quotations) shall be disregarded by the Agent Bank (or Calculation Agent, if applicable) for the purpose of determining the arithmetic mean (rounded as provided above) of the offered quotations);
- (iii) if, in the case of paragraph (i) above, such rate does not appear on that Relevant Screen Page or, in the case of paragraph (ii) above, fewer than two such rates appear on that Relevant Screen Page or if, in either case, the Relevant Screen Page is unavailable, the Agent Bank (or the Calculation Agent, if applicable) will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Relevant Rate at approximately the Relevant Time on the relevant Interest Determination Date to prime banks in the Relevant Financial Centre interbank market (or, if appropriate, money market) in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested in paragraph 5(c)(iii) above, the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the rates (being the rates nearest to the Relevant Rate as determined by the Agent Bank (or the Calculation Agent, if applicable)) quoted by the Reference Banks at approximately 11.00 am (local time in the Relevant Financial Centre of the Relevant Currency) on the relevant Interest Determination Date (as defined in Condition 5(i) (*Definitions*)) for loans in the Relevant Currency to leading European banks for a period equal to the relevant Interest Period and in the Representative Amount (as defined in Condition 5(i) (*Definitions*)),

and the Interest Rate for such Interest Period shall be the sum of the rate or (as the case may be) the arithmetic mean so determined and (a) for any Interest Period that ends before the Scheduled Redemption Date, the Margin and (b) for any Interest Period that ends on or after the Scheduled Redemption Date, the Margin and the Step-Up Floating Fee Rate. However, if the Agent Bank or the Calculation Agent (as applicable) is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Interest Rate applicable to the Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Bonds in respect of a preceding Interest Period.

If **ISDA Determination** is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate(s) applicable to the Bonds for each Interest Period will be the sum of the relevant ISDA Rate and (a) for any Interest Period that ends before the Scheduled Redemption Date, the Margin and (b) for any Interest Period that ends on or after the Scheduled Redemption Date, the Margin and the Step-Up Floating Fee Rate where ISDA Rate in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Agent Bank (or the Calculation Agent, if applicable) under an interest rate swap transaction if the Agent Bank (or the Calculation Agent, if applicable) were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (B) the Designated Maturity (as defined in the ISDA Definitions) is the Specified Duration (as defined in Condition 5(i) (*Definitions*)); and
- (C) the relevant Reset Date (as defined in the ISDA Definitions) is either (1) if the relevant Floating Rate Option is based on the London interbank offered rate (**LIBOR**) for a currency, the first day of that Interest Period, (2) if the relevant Floating Rate Option is based on the Euro-zone interbank offered rate (**EURIBOR**), the first day of that Interest Period or (3) in any other case, as specified in the relevant Final Terms.

(d) Fixed Rate Bonds

This Condition 5(d) is applicable only if the relevant Final Terms specify the Bonds as Fixed Rate Bonds.

Subject to the next paragraph, the Interest Rate applicable to the Bonds for each Interest Period will be the rate specified in the relevant Final Terms.

The Interest Rate applicable to the Bonds for each Interest Period from (and including) the Scheduled Redemption Date will be a floating rate equal to the sum of (a) the rate determined in accordance with Condition 5(c) (*Floating Rate Bonds*) if that Condition otherwise applied and (b) the Step-Up Fixed Fee Rate.

(e) Indexed Bonds

This Condition 5(e) is applicable only if the relevant Final Terms specify the Bonds as Indexed Bonds.

Payments of principal on, and interest payable in respect of, the Bonds will be subject to adjustment for indexation and to the extent set out in Condition 6(b) (*Application of the Index Ratio*).

Subject to the next paragraph, the Interest Rate applicable to the Bonds for each Interest Period will be the rate specified in the relevant Final Terms.

The Interest Rate applicable to the Bonds for each Interest Period from (and including) the Scheduled Redemption Date will be a floating rate equal to the sum of (a) the arithmetic mean rate determined in accordance with Condition 5(c) (*Floating Rate Bonds*) if that Condition otherwise applied and (b) the Step-Up Fixed Fee Rate.

(f) Rounding

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified):

- (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up);
- (ii) all figures will be rounded to seven significant figures (with halves being rounded up); and
- (iii) all currency amounts which fall due and payable will be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes, unit means, with respect to any currency other than euro, the lowest amount of such currency which is available as legal tender in the country of such currency and, with respect to euro, means 0.01 euro.

(g) Calculations

The amount of interest payable in respect of any Bond for each Interest Period shall be calculated by applying the Interest Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Bond divided by the Calculation Amount (as defined in Condition 5(i) (*Definitions*)) and, in the case of Indexed Bonds only, adjusted according to the indexation set out in Condition 6(b) (*Application of the Index Ratio*), unless an Interest Amount is specified in respect of such period in the relevant Final Terms, in which case the amount of interest payable in respect of such Bond for such Interest Period will equal such Interest Amount.

(h) Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Agent Bank (or the Calculation Agent, if applicable) may be required to calculate any Redemption Amount or the amount of an instalment of scheduled principal (an **Instalment Amount**), obtain any quote or make any determination or calculation, the Agent Bank (or the Calculation Agent, if applicable) will determine the Interest Rate and calculate the amount of interest payable (the **Interest Amounts**) in respect of each Specified Denomination of Bonds for the relevant Interest Period (including, for the avoidance of doubt, any applicable Index Ratio to be calculated in accordance with Condition 6(b) (*Application of the Index Ratio*)), calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Redemption

Amount, Principal Amount Outstanding or any Instalment Amount to be notified to, in the case of Bearer Bonds, the Paying Agents or in the case of Registered Bonds, the Registrar, and, in each case, the Bond Trustee, the Issuer, the Bondholders and the London Stock Exchange and each other listing authority, stock exchange and/or quotation system by or on which the relevant Bonds have then been admitted to listing, trading and/or quotation as soon as possible after its determination but in no event later than the fourth Business Day after such determination. The Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Sub-Class or Class of Bonds are for the time being listed or by which they have been admitted to listing, to the Principal Paying Agent, the Bond Trustee and to the Bondholders in accordance with Condition 16 (*Notices*). If the Bonds become due and payable under Condition 10 (*Bond Events of Default*), the accrued interest and the Interest Rate payable in respect of the Bonds shall nevertheless continue to be calculated as previously provided in accordance with this Condition 5 (*Interest and other Calculations*) but no publication of the Interest Rate or the Interest Amount so calculated need be made unless otherwise required by the Bond Trustee. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Agent Bank (or the Calculation Agent, if applicable) or, as the case may be, the Bond Trustee pursuant to this Condition 5 or Condition 6 (*Indexation*), shall (in the absence of manifest error) be final and binding upon all parties.

(i) **Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below.

Business Day means a day which is both:

- (i) in relation to any sum payable in sterling, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each (if any) additional city or cities specified in the relevant Final Terms; and
- (ii) in relation to any sum payable in a currency other than sterling, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the principal financial centre of the Relevant Currency (which in the case of a payment in U.S. dollars shall be New York) and in each (if any) additional city or cities specified in the relevant Final Terms;

Bond Relevant Date means, in respect of any Class, Sub-Class or Tranche of the Bonds, the earlier of (a) the date on which all amounts in respect of the Bonds have been paid, and (b) five days after the date on which all of the Principal Amount Outstanding (adjusted in the case of Indexed Bonds in accordance with Condition 6(b) (*Application of the Index Ratio*)) has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Bondholders in accordance with Condition 16 (*Notices*);

Calculation Amount means the amount specified as such in the relevant Final Terms;

Day Count Fraction means, in respect of the calculation of an amount of interest on any Bond for any period of time (whether or not constituting an Interest Period, the **Calculation Period**):

- (i) if **Actual/Actual (ICMA)** is specified:

- (A) if the Calculation Period is equal to or shorter than the Determination Period during which it ends, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (B) if the Calculation Period is longer than one Determination Period, the sum of:
 - I. the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - II. the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

Determination Period means the period from and including a Determination Date in any year but excluding the next Determination Date; and

Determination Date means the date specified as such hereon or, if none is so specified, the Interest Payment Date;

- (ii) if **Actual/365** or **Actual/Actual** is specified, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366, and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if **Actual/365 (Fixed)** is specified, the actual number of days in the Calculation Period divided by 365;
- (iv) if **Actual/360** is specified, the actual number of days in the Calculation Period divided by 360;
- (v) if **30/360, 360/360** or **Bond Basis** is specified, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (1) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if **30E/360** or **Eurobond Basis** is specified, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the last day of such period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

euro means the lawful currency of the Participating Member States;

Instalment Amount has the meaning given to it in Condition 5(h);

Interest Commencement Date means the Issue Date or such other date as may be specified in the relevant Final Terms;

Interest Determination Date means, with respect to an Interest Rate and an Interest Period, the date specified as such in the relevant Final Terms or, if none is so specified, the day falling two Business Days in London prior to the first day of such Interest Period (or if the specified currency is sterling, the first day of such Interest Period) (as adjusted in accordance with any Business Day Convention (as defined above) specified in the relevant Final Terms);

Interest Payment Date means the date(s) specified as such in the relevant Final Terms;

Interest Period means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

Interest Rate means the rate of interest payable from time to time in respect of the Bonds and which is either specified as such in, or calculated in accordance with the provisions of, these Conditions and/or the relevant Final Terms;

ISDA Definitions means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of Bonds of the relevant Sub-Class as published by the International Swaps and Derivatives Association, Inc.);

Issue Date means the date specified as such in the relevant Final Terms;

Margin means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms;

Maturity Date means the date specified in the relevant Final Terms as the final date on which the principal amount of the Bond is due and payable;

Minimum Interest Rate means the minimum rate of interest specified in the relevant Final Terms which the Interest Rate shall in no event be less than;

Maximum Interest Rate the maximum rate of interest specified in the relevant Final Terms which the Interest Rate shall in no event be greater than;

Participating Member State means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty establishing the European Communities (as amended), and Participating Member States means all of them;

Principal Amount Outstanding means, in relation to a Bond, Sub-Class or Class, the original face value thereof less any repayment of principal made to the Holder(s) thereof in respect of such Bond, Sub-Class or Class;

Redemption Amount means the amount provided under Condition 7(d) (*Optional Redemption*), unless otherwise specified in the relevant Final Terms;

Reference Banks means the institutions specified as such or, if none, four major banks selected by the Agent Bank (or the Calculation Agent, if applicable) in the interbank market (or, if appropriate, money market) which is most closely connected with the Relevant Rate as determined by the Agent

Bank (or the Calculation Agent, if applicable), on behalf of the Issuer, in its sole and absolute discretion;

Relevant Currency means the currency specified as such or, if none is specified, the currency in which the Bonds are denominated;

Relevant Financial Centre means, with respect to any Bond, the financial centre specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the Relevant Rate is most closely connected as determined by the Agent Bank (or the Calculation Agent, if applicable);

Relevant Rate means the offered rate for a Representative Amount of the Relevant Currency for a period (if applicable) equal to the Specified Duration (or such other rate as shall be specified in the relevant Final Terms);

Relevant Screen Page means such page, section, caption, column or other part of a particular information service (including the Reuters Money 3000 Service (Reuters)) as may be specified in the relevant Final Terms, or such other page, section, caption, column or other part as may replace the same on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying comparable rates or prices;

Relevant Time means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre;

Representative Amount means, with respect to any rate to be determined on an Interest Determination Date, the amount specified in the relevant Final Terms as such or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time;

Scheduled Redemption Date has the meaning given to it in the applicable Final Terms;

Specified Duration means, with respect to any Floating Rate (as defined in the ISDA Definitions) to be determined on an Interest Determination Date, the period or duration specified as such in the relevant Final Terms or, if none is specified, a period of time equal to the relative Interest Period;

Step-Up Fixed Fee Rate means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms or, if no such rate is specified, zero;

Step-Up Floating Fee Rate means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms or, if no such rate is specified, zero;

sub-unit means in the case of any currency, the lowest amount of such currency that was available as legal tender in the country of such currency;

TARGET2 Settlement Day means any day on which the TARGET2 system is open; and

TARGET2 system means the Trans-European Automated Real-Time Gross Settlement Express Transfer system (TARGET2).

(j) *Agent Bank, Calculation Agent and Reference Banks*

The Issuer will procure that there shall at all times be an Agent Bank (and a Calculation Agent, if applicable) and four Reference Banks selected by the Issuer acting through the Agent Bank (or the Calculation Agent, if applicable) with offices in the Relevant Financial Centre if provision is made for them in these Conditions applicable to a Bond as indicated in the relevant Final Terms and for so long as it is outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer acting through the Agent Bank (or the Calculation Agent, if applicable) will select another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. If the Agent Bank (or the Calculation Agent, if applicable) is unable or unwilling to act as such or if the Agent Bank (or the Calculation Agent, if applicable) fails duly to establish the Interest Rate for any Interest Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint (with the prior written consent of the Bond Trustee) a successor to act as such in its place. The Agent Bank may not resign its duties without a successor having been appointed as aforesaid.

(k) *Determination or Calculation by Bond Trustee*

If the Agent Bank (or the Calculation Agent, if applicable) does not at any time for any reason determine any Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or any other amount to be determined or calculated by it, the Bond Trustee shall (without liability for so doing) determine such Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or other amount as aforesaid at such rate or in such amount as in its absolute discretion (having regard as it shall think fit to the procedures described above, but subject to (i) any Minimum Interest Rate or Maximum Interest Rate specified in the applicable Final Terms and (ii) the terms of the Bond Trust Deed) it shall deem fair and reasonable in all the circumstances or, subject as aforesaid, apply the foregoing provisions of this Condition 5 (*Interest and other Calculations*), with any consequential amendments, to the extent that, in its sole opinion, it can do so and in all other respects it shall do so in such manner as it shall, in its absolute discretion, deem fair and reasonable in the circumstances, and each such determination or calculation shall be deemed to have been made by the Agent Bank (or the Calculation Agent, if applicable). In making any such determination or calculation, the Bond Trustee may appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the Agent Bank (or Calculation Agent if applicable).

(l) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of Condition 5 (*Interest and other Calculations*) whether by the Bond Trustee, the Principal Paying Agent or the Agent Bank (or the Calculation Agent, if applicable) shall (in the absence of wilful default, gross negligence, bad faith or manifest error) be binding on the Issuer, each Obligor, the Agent Bank, the Bond Trustee, the Principal Paying Agent, the other Agents and all Bondholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Obligors, the Bond Trustee, the Bondholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent, the Agent Bank or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(m) *Interest on Dual Currency Bonds*

The rate or amount of interest payable in respect of Dual Currency Bonds shall be determined in the manner specified in the applicable Final Terms.

(n) **Interest on Partly Paid Bonds**

In the case of Partly Paid Bonds (other than Partly Paid Bonds which are Zero Coupon Bonds), interest will accrue as aforesaid on the paid-up nominal amount of such Bonds and otherwise as specified in the applicable Final Terms.

6. **Indexation**

This Condition 6 is applicable only if the relevant Final Terms specify the Bonds as Indexed Bonds.

(a) **Definitions**

affiliate means in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls directly or indirectly, that person or any entity, directly or indirectly under common control with that person and, for this purpose, control means control as defined in the Companies Act 2006, including the meaning given to the term "Companies Acts" in section 2 of the Companies Act 2006, with the addition of the words "to the extent that they are in force" at the end of section 2(1)(a) and any regulations made pursuant to those Acts to the extent that they are in force (the **Companies Act**);

Base Index Figure means (subject to Condition 6(c)(i) (*Change in base*)) the base index figure as specified in the relevant Final Terms;

Index or **Index Figure** means, subject as provided in Condition 6(c)(i) (*Change in base*), the UK Retail Price Index (**RPI**) (for all items) published by the Central Statistical Office and available to view at www.statistics.gov.uk (January 1987 = 100) or any comparable index which may replace the UK Retail Price Index for the purpose of calculating the amount payable on repayment of the Reference Gilt.

Any reference to the **Index Figure** applicable to a particular Calculation Date shall, subject as provided in Condition 6(c) (*Changes in Circumstances Affecting the Index*) and (e) (*Cessation of or Fundamental Changes to the Index*), and if "3 months lag" is specified in the relevant Final Terms, be calculated in accordance with the following formula:

$$IFA = RPI_{m-3} + \frac{(Day\ of\ Calculation\ Date - 1)}{(Days\ in\ month\ of\ Calculation\ Date)} \times (RPI_{m-2} - RPI_{m-3})$$

And rounded to five decimal places (0.000005 being rounded upwards) and where:

IFA means the Index Figure applicable;

RPI_{m-3} means the Index Figure for the first day of the month that is three months prior to the month in which the payment falls due;

RPI_{m-2} means the Index Figure for the first day of the month that is two months prior to the month in which payment falls due;

Any reference to **Index Figure applicable** to a particular Calculation Date shall, subject as provided in Condition 6(c) (*Changes in Circumstances Affecting the Index*) and (e) (*Cessation of Fundamental Changes to the Index*), and if "8 months lag" is specified in the relevant Final Terms, be calculated in accordance with the following formula:

$$IFA = RPI_{m-8} + \frac{(Day\ of\ Calculation\ Date - 1)}{(Days\ in\ month\ of\ Calculation\ Date)} \times (RPI_{m-7} - RPI_{m-8})$$

And rounded to five decimal places (0.000005 being rounded upwards) and where:

IFA means the Index Figure applicable;

RPI_{m-8} means the Index Figure for the first day of the month that is eight months prior to the month in which payment falls due;

RPI_{m-7} means the Index Figure for the first day of the month that is seven months prior to the month in which the payment falls due;

If the Index is replaced, the Issuer will describe the replacement Index in a supplementary prospectus;

Index Ratio applicable to any month means the Index Figure applicable to such month divided by the Base Index Figure;

Limited Index Ratio means (a) in respect of any month prior to the relevant Issue Date, the Index Ratio for that month; (b) in respect of any Limited Indexation Month after the relevant Issue Date, the product of the Limited Indexation Factor for that month and the Limited Index Ratio as previously calculated in respect of the month 12 months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

Limited Indexation Factor means, in respect of a Limited Indexation Month, the ratio of the Index Figure applicable to that month divided by the Index Figure applicable to the month 12 months prior thereto, provided that (a) if such ratio is greater than the maximum indexation factor specified in the relevant Final Terms (the **Maximum Indexation Factor**), it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the minimum indexation factor specified in the relevant Final Terms (the **Minimum Indexation Factor**), it shall be deemed to be equal to such Minimum Indexation Factor;

Limited Indexation Month means any month specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

Limited Indexed Bonds means Indexed Bonds to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies; and

Reference Gilt means the United Kingdom government stock specified as such in the relevant Final Terms, for so long as such stock is in issue, as the benchmark gilt the maturity of which most closely matches the average life of the relevant Indexed Bonds, and thereafter such issue of index-linked United Kingdom government stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer and approved by the Bond Trustee (an Indexation Adviser).

(b) Application of the Index Ratio

Each payment of interest and principal in respect of the Bonds shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio or Limited Index Ratio in the case of Limited Indexed Bonds applicable to the month in which such payment falls to be made and rounded in accordance with Condition 5(f) (*Rounding*).

(c) Changes in Circumstances Affecting the Index

- (i) *Change in base*: If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the calendar month from and including that in which such substitution takes effect (A) the definition of Index and Index Figure in Condition 6(a) (*Definitions*) shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor), and (B) the new Base Index Figure shall be the product of the then existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.
- (ii) *Delay in publication of Index*: If the Index Figure relating to any month (the **relevant month**) which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the 14th Business Day before the date on which such payment is due (the **date for payment**) (otherwise than because the Index has ceased to be published), the Index Figure applicable to the relevant month shall be (A) such substitute index figure (if any) as the Bond Trustee considers to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, (or such other body designated by the UK Government for such purpose) for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked United Kingdom government stock selected by an Indexation Adviser (and approved by the Bond Trustee); or (B) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to (A) above) before the date for payment.

(d) Application of Changes

Where the provisions of Condition 6(c)(ii) (*Delay in publication of Index*) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 6(c)(ii)(B), the Index Figure relating to the relevant month is subsequently published while a Bond is still outstanding, then:

- (i) in relation to a payment of principal or interest in respect of such Bond other than upon final redemption of such Bond, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced by an amount equal to (respectively) the shortfall or excess of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 6(c)(ii)(B), below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the 14th Business Day before the date for payment; and
- (ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

(e) Cessation of or Fundamental Changes to the Index

- (i) If (A) the Bond Trustee has been notified by the Agent Bank (or the Calculation Agent, if applicable) that the Index has ceased to be published or (B) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of the Bond Trustee acting solely on the advice of an Indexation Adviser, be materially prejudicial to the interests of the Bondholders, the Bond Trustee will give written notice of such occurrence to the Issuer, and the Issuer and the Bond Trustee together shall seek to agree for the purpose of the Bonds one or more adjustments to the

Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Bondholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.

- (ii) If the Issuer and the Bond Trustee fail to reach agreement as mentioned above within 20 Business Days following the giving of notice as mentioned in paragraph (i) above, a bank or other person in London shall be appointed by the Issuer and the Bond Trustee or, failing agreement on and the making of such appointment within 20 business days following the expiry of the 20 Business Day period referred to above, by the Bond Trustee (in each case, such bank or other person so appointed being referred to as the **Expert**), to determine for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Bondholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Bond Trustee in connection with such appointment shall be borne by the Issuer.
- (iii) If any payment in respect of the Bonds is due to be made after the cessation or changes referred to in paragraph (i) above but before any such adjustment to, or replacement of, the Index takes effect, the Issuer shall (if the Index Figure applicable (or deemed applicable) to the relevant month is not available in accordance with the provisions of Condition 6(c)(i) (*Change in base*)) make a provisional payment on the basis that the Index Figure applicable to the month in which such payment is due to be made is the Index Figure last published. In that event, or in the event of any payment (also referred to below as a **provisional payment**) on the Bonds having been made on the basis of an Index applicable under Condition 6(c)(ii)(A) and the Bond Trustee (acting solely on the advice of an Indexation Adviser) subsequently determining that the relevant circumstances fall within this Condition 6(e), then:
 - (A) in relation to a payment of principal or interest in respect of the Bonds other than upon final redemption of such Bond, if the sum which would have been payable if such adjustment of substitute index had been in effect on the due date for such payment is greater or less than the amount of such provisional payment, the Interest Amount payable on the Bonds on the Interest Payment Date next succeeding the date on which such adjustment or substitute index becomes effective shall be increased or reduced to reflect the amount by which such provisional payment fell short of, or (as the case may be) exceeded, the sum which would have been paid on the Bonds if such adjustment or substituted index had been in effect on that date; or
 - (B) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.
- (iv) The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Bond Trustee or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Bond Trustee and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Issuer, the other Issuer Secured Creditors, the Bond Trustee and the Bondholders, and the Issuer shall give notice to the Bondholders in accordance with Condition 16 (*Notices*) of such amendments as promptly as practicable following such notification.

7. Redemption, Purchase and Cancellation

(a) *Scheduled Redemption*

Unless previously redeemed in full, or purchased and cancelled as provided below, or unless such Bond is stated in the relevant Final Terms as having no fixed Maturity Date, each Sub-Class of Bonds will be redeemed on the Scheduled Redemption Date as follows and to the following extent:

- (i) if, by the Scheduled Redemption Date, the Issuer has received repayment of the related advance (in accordance with the provisions of the Borrower Loan Agreement) of a principal amount equal to the Principal Amount Outstanding (in the case of Indexed Bonds as adjusted in accordance with Condition 6(b) (*Application of the Index Ratio*)) of such Sub-Class, then the Bonds of such Sub-Class will be redeemed in full (after exchange of such principal amount to the relevant currency pursuant to the relevant Cross Currency Hedging Agreement, if such a Cross Currency Hedging Agreement has been entered into); and
- (ii) if, by the Scheduled Redemption Date, the Issuer has received repayment of the related advance (in accordance with the provisions of the Borrower Loan Agreement) of a principal amount less than the Principal Amount Outstanding (in the case of Indexed Bonds as adjusted in accordance with Condition 6(b) (*Application of the Index Ratio*)) of such Sub-Class, then the Bonds of such Sub-Class will be redeemed pro rata in part to the extent of the amount which is so deposited (after exchange of such principal amount to the relevant currency pursuant to the relevant Cross Currency Hedging Agreement, if such a Cross Currency Hedging Agreement has been entered into).

If the Bonds of a Sub-Class are not redeemed in full by the Scheduled Redemption Date, then on each Interest Payment Date which thereafter occurs, the Bonds of such Sub-Class will be redeemed in full or, as the case may be, pro rata in part to the extent of the principal amount (after exchange of such principal amount to the relevant currency pursuant to the relevant Cross Currency Hedging Agreement, if such a Cross Currency Hedging Agreement has been entered into or, if there is no longer a Cross Currency Hedging Agreement in place and the Sub-Class is denominated in a currency other than the currency of the related advance, at a spot rate of exchange) which, if any, is received by the Issuer in repayment of the related advance(s) (in accordance with the provisions of the Borrower Loan Agreement) until the earlier of (a) such time as such Sub-Class of Bonds is redeemed in full or (b) the Maturity Date specified in the relevant Final Terms for such Sub-Class.

(b) *Final Redemption*

If the Bonds of a Sub-Class have not previously been redeemed in full, or purchased and cancelled, the Bonds will be finally redeemed at the then Principal Amount Outstanding (in the case of Indexed Bonds as adjusted in accordance with Condition 6(b) (*Application of the Index Ratio*)) of such Sub-Class plus accrued but unpaid interest on the Maturity Date specified in the relevant Final Terms for such Sub-Class.

In the case of principal on Class B Bonds only, if, on any date on or after the Maturity Date but prior to the delivery of a Bond Enforcement Notice on which such Bond is to be redeemed (in whole or in part), there are insufficient funds available to the Issuer to pay such principal, the Issuer's liability to pay such principal will be treated as not having become payable and will be deferred until the earliest of (i) the next following Interest Payment Date on which the Issuer has, in accordance with the cash management provisions of the Issuer Cash Management Agreement, sufficient funds to pay such deferred amounts (including any interest accrued thereon); (ii) the date on which all Senior Debt has been paid in full and (iii) the date on which a Bond Enforcement Notice has been delivered. Interest

will accrue on such deferred principal at the rate otherwise payable on unpaid principal of such Class B Bonds immediately prior to the Maturity Date.

(c) *Redemption of Zero Coupon Bonds after Scheduled Redemption Date*

If the relevant Final Terms specifies that there is a Scheduled Redemption Date for the Bonds, the Redemption Amount payable upon redemption of a Zero Coupon Bond at any time after the Scheduled Redemption Date shall be an amount equal to the sum of:

- (i) the Redemption Amount that would have been payable if the Bond had been redeemed on the Scheduled Redemption Date; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to such amount from (and including) the Scheduled Redemption Date to (but excluding) the date of redemption or (as the case may be) the date upon which the Bond becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of Condition 7(j) (*Redemption by Instalments*) or, if none is so specified, a Day Count Fraction of 30/360.

In these Conditions, **Accrual Yield** has the meaning given to it in the relevant Final Terms.

(d) *Optional Redemption*

Subject as provided below, upon giving not more than 60 nor less than 15 days' notice to the Bond Trustee, the Issuer Secured Creditors and the Bondholders, the Issuer may (prior to the Maturity Date) redeem any Sub-Class of the Bonds in whole or in part (but on a pro rata basis only) on any Interest Payment Date at their Redemption Amount, provided that Floating Rate Bonds may not be redeemed before the date (if any) specified in the relevant Final Terms, as follows:

- (i) In respect of Fixed Rate Bonds denominated in sterling, the Redemption Amount will, unless otherwise specified in the relevant Final Terms, be an amount equal to the higher of (A) their Principal Amount Outstanding and (B) the price determined to be appropriate by a financial adviser in London (selected by the Issuer and approved by the Bond Trustee) as being the price at which the Gross Redemption Yield on such Bonds on the Reference Date is equal to the Gross Redemption Yield at 3.00 pm (London time) on the Reference Date on the Reference Gilt while that stock is in issue, and thereafter such UK government stock as the Issuer may, with the advice of three persons operating in the gilt-edged market (selected by the Issuer and approved by the Bond Trustee) determine to be appropriate, plus accrued but unpaid interest on the Principal Amount Outstanding.

For the purposes of this paragraph 7(d)(i), **Gross Redemption Yield** means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the UK Debt Management Office publication "Formulae for Calculating Gilt Prices from Yields" published on 8 June 1998 with effect from 1 November 1998 and updated on 15 January 2002, page 5 or any replacement therefor and, for the purposes of such calculation, the date of redemption of the relevant Fixed Rate Bonds shall be assumed to be the Scheduled Redemption Date and not the Maturity Date; **Reference Date** means the date which is two Business Days prior to the despatch of the notice of redemption under this paragraph (i); and **Reference Gilt** means the United Kingdom government stock specified in the relevant Final Terms.

- (ii) In respect of Floating Rate Bonds, the Redemption Amount will, unless otherwise specified in the relevant Final Terms, be the Principal Amount Outstanding plus any premium for early redemption in certain years (as specified in the relevant Final Terms) plus any accrued but unpaid interest on the Principal Amount Outstanding.
- (iii) In respect of Indexed Bonds denominated in sterling, the Redemption Amount will (unless otherwise specified in the relevant Final Terms) be the higher of (i) the Principal Amount Outstanding and (ii) the price determined to be appropriate (without any additional indexation beyond the implicit indexation in such determined price) by a financial adviser in London (selected by the Issuer and approved by the Bond Trustee) as being the price at which the Gross Real Redemption Yield on the Bonds on the Reference Date (as defined below) is equal to the Gross Real Redemption Yield at 3.00 pm (London time) on the Reference Date on the Reference Gilt while that stock is in issue, and thereafter such UK government stock as the Issuer may, with the advice of three persons operating in the gilt-edged market (selected by the Issuer and approved by the Bond Trustee), determine to be appropriate, plus accrued but unpaid interest (as adjusted in accordance with Condition 6(b) (*Application of the Index Ratio*)) on the Principal Amount Outstanding.

For the purposes of this paragraph (iii), **Gross Real Redemption Yield** means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the UK Debt Management Office publication "Formulae for Calculating Gilt Prices from Yields" published on 8 June 1998 with effect from 1 November 1998 and updated on 15 January 2002, page 4 or any replacement therefor and, for the purposes of such calculation, the date of redemption of the relevant Indexed Bonds shall be assumed to be the Scheduled Redemption Date and not the Maturity Date; **Reference Date** means the date which is two Business Days prior to the despatch of the notice of redemption under this paragraph (iii); and Reference Gilt means the United Kingdom government stock specified in the relevant Final Terms.

- (iv) In respect of Fixed Rate Bonds denominated in euro, the Redemption Amount will, unless otherwise specified in the relevant Final Terms, be an amount equal to the higher of (i) their Principal Amount Outstanding and (ii) the present value at the Reference Date of (A) their Principal Amount Outstanding plus (B) all required interest payments due on the Bonds (excluding accrued but unpaid interest to the date on which the Bonds are to be redeemed (the **Redemption Date**)), computed using a discount rate equal to the Bund Rate as of the Reference Date and assuming the relevant Fixed Rate Bonds would otherwise have been redeemed on the Scheduled Redemption Date, plus, in either case, accrued but unpaid interest to the Redemption Date.

For the purposes of this paragraph 7(d)(iv), **Bund Rate** means, with respect to any Reference Date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price on such date of determination; **Comparable German Bund Issue** means the German Bundesanleihe security specified in the relevant Final Terms or, if no such security is specified or the specified security is no longer in issue, the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such Reference Date to the Scheduled Redemption Date and that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then Principal Amount Outstanding of the Bonds and of a maturity most nearly equal to the Scheduled Redemption Date provided, however, that if the period from such Redemption Date to the Scheduled Redemption Date is less than one year,

a fixed maturity of one year shall be used; **Comparable German Bund Price** means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations or, if the Financial Adviser obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations; **Financial Adviser** means a financial adviser in Frankfurt (selected by the Issuer and approved by the Bond Trustee); **Reference Date** means the date which is three Business Days prior to the despatch of the notice of redemption under this paragraph (iv); **Reference German Bund Dealer** means any dealer of German Bundesanleihe securities appointed by the Financial Adviser; and **Reference German Bund Dealer Quotations** means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Financial Adviser of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Financial Adviser by such Reference German Bund Dealer at or about 3.30 pm (Frankfurt, Germany time) on the Reference Date.

In the case of a partial redemption of Bonds, the Bonds to be redeemed (**Redeemed Bonds**) will be selected individually by lot, in the case of Redeemed Bonds represented by Definitive Bonds, and in accordance with the rules of DTC and/or Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Bonds represented by a Global Bond, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Bonds represented by Definitive Bonds, a list of the serial numbers of such Redeemed Bonds will be published in accordance with Condition 16 (*Notices*) not less than 15 days (or such shorter period as is specified in the applicable Final Terms) prior to the date fixed for redemption. No exchange of the relevant Global Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7(d) and notice to that effect shall be given by the Issuer to the Bondholders in accordance with Condition 16 (*Notices*) at least five days (or such shorter period as is specified in the applicable Final Terms) prior to the Selection Date.

In any such case, prior to giving any such notice, the Issuer must certify (as further specified in the Finance Documents) to the Bond Trustee that it will have the funds, not subject to any interest (other than under the Issuer Security) of any other person, required to redeem the Bonds as aforesaid and to meet any amounts to be paid in priority to or pari passu with the Bonds being redeemed under the relevant Issuer Payment Priorities.

(e) *Redemption for Index Event, Taxation or Other Reasons*

Redemption for Index Events: Upon the occurrence of any Index Event, the Issuer may, upon giving not more than ten nor less than five days' notice to the Bond Trustee, the Issuer Secured Creditors and the holders of the Indexed Bonds in accordance with Condition 16 (*Notices*), redeem all (but not some only) of the Indexed Bonds of all Sub-Classes on any Interest Payment Date at the Principal Amount Outstanding (adjusted in accordance with Condition 6(b) (*Application of the Index Ratio*)) plus accrued but unpaid interest. No single Sub-Class of Indexed Bonds may be redeemed in these circumstances unless all the other Classes and Sub-Classes of Indexed Bonds linked to the same underlying Index are also redeemed at the same time. Before giving any such notice, the Issuer shall provide to the Bond Trustee and the Issuer Secured Creditors a certificate signed by an authorised signatory (a) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to effect such redemption and to discharge any amounts to be paid in priority to, or pari passu, with the Bonds being redeemed under the applicable Issuer Payment Priorities.

Index Event means (i) if the Index Figure for three consecutive months falls to be determined on the basis of an Index Figure previously published as provided in Condition 6(c)(ii) (*Delay in publication of Index*) and the Bond Trustee has been notified by the Principal Paying Agent that publication of the Index has ceased or (ii) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, and (in either case) no amendment or substitution of the Index has been advised by the Indexation Adviser to the Issuer and such circumstances are continuing.

Redemption for Taxation Reasons and Illegality: In addition, if at any time the Issuer satisfies the Bond Trustee that by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Issue Date, (a) the Issuer would, on the next Interest Payment Date, become obliged to deduct or withhold from any payment of interest, premium or principal in respect of the Bonds (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the UK or Jersey or any political subdivision thereof, or any other authority thereof or any change in the application or official interpretation of such laws or regulations (**Taxes**); (b) the Borrower would on the next Interest Payment Date be required to make any withholding or deduction for or on account of any Taxes from payments in respect of the Borrower Loan Agreement; (c) a Hedge Counterparty would be entitled to terminate a Hedging Agreement in accordance with its terms as a result of the Issuer Hedge Counterparty being required to make any withholding or deduction for or on account of any Taxes from payments in respect of an Issuer Hedging Agreement; or (d) it has or will become unlawful for the Issuer to perform any of its obligations under the Borrower Loan Agreement or to fund or to maintain its participation in the Borrower Loans, then the Issuer may, in order to avoid the relevant deductions, withholding or illegality but is not obliged to, (i) use its reasonable endeavours to arrange the substitution of a company incorporated under the laws of another jurisdiction approved by the Bond Trustee as principal debtor under the Bonds and as lender under the Borrower Loan Agreement and as obligor under the Finance Documents upon satisfying the conditions for substitution of the Issuer as set out in Condition 14(e) (*Meetings of Bondholders, Modification, Waiver and Substitution*) or (ii) convert any Bearer Bonds into Registered Bonds in accordance with Condition 2(a) (*Exchange of Bonds*) if such conversion will be effective to avoid the relevant deduction, withholding or illegality. If the Issuer is unable to arrange a substitution as described above having used reasonable endeavours to do so and a conversion of Bearer Bonds into Registered Bonds would not prevent any withholding, deduction or illegality and, as a result, the relevant illegality or obligation to make a deduction or withholding is continuing, then the Issuer may, upon giving not more than ten nor less than five days' notice to the Bond Trustee, the Issuer Secured Creditors and the Bondholders in accordance with Condition 16 (*Notices*), redeem all (but not some only) of the Bonds on any Interest Payment Date at their Principal Amount Outstanding plus accrued but unpaid interest thereon (each adjusted, in the case of Indexed Bonds, in accordance with Condition 6(b) (*Application of the Index Ratio*)). Before giving any such notice of redemption, the Issuer shall provide to the Bond Trustee and the Issuer Secured Creditors a certificate signed by an authorised signatory (a) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have been satisfied (together with evidence satisfactory to the Bond Trustee that such conditions have been satisfied, including such legal opinions as the Bond Trustee may require) and (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to effect such redemption and to discharge any amounts to be paid in priority to, or pari passu with, the Bonds being redeemed under the applicable Issuer Payment Priorities.

(f) *Early Redemption on Prepayment of Borrower Loan Agreement*

If:

- (i) the Borrower gives notice to the Issuer under the Borrower Loan Agreement that it intends to prepay all or part of any advance made under such Borrower Loan Agreement or the Borrower is required to prepay all or part of any advance made under the Borrower Loan Agreement; and
- (ii) in each case, such advance was funded by the Issuer from the proceeds of the issue of a Class or Sub-Class of Bonds,

the Issuer shall, upon giving not more than ten nor less than five days' notice to the Bond Trustee, the Issuer Secured Creditors and the Bondholders in accordance with Condition 16 (*Notices*) (where such advance is being prepaid in whole) redeem all of the Bonds of that Class or Sub-Class or (where part only of such advance is being prepaid) the proportion of the relevant Class or Sub-Class of Bonds which the proposed prepayment amount bears to the amount of the relevant advance.

In the case of a voluntary prepayment, the relevant Bonds will be redeemed at their Redemption Amount determined in accordance with Condition 7(d) (*Optional Redemption*) except that, in the case of Fixed Rate Bonds and Indexed Bonds, for the purposes of this Condition 7(f), **Reference Date** means the date two Business Days prior to the despatch of the notice of redemption given under this Condition 7(f), plus accrued but unpaid interest and, in the case of any other prepayment, the relevant Bonds will be redeemed at their Principal Amount Outstanding plus accrued but unpaid interest.

Notwithstanding the foregoing, no redemption of Call Protected Floating Rate Bonds, Fixed Rate Bonds or Indexed Bonds shall be made in respect of any Sub-Class of Call Protected Floating Rate Bonds, Fixed Rate Bonds or Indexed Bonds at such Par Redemption Amount or, as the case may be, Modified Redemption Amount unless sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders of the relevant Sub-Class of Call Protected Floating Rate Bonds, Fixed Rate Bonds or Indexed Bonds, duly convened and held in accordance with the Bond Trust Deed.

For the purposes of this Condition 7(f), **Alternative Redemption Amount** means the amount specified as such in the relevant Final Terms (if any); **Call Protected Floating Rate Bonds** means any Floating Rate Bonds, the Final Terms in respect of which, at the proposed date of redemption, would oblige the Issuer to pay a premium to par upon the optional early redemption of such Floating Rate Bonds; **Redemption Rate** means the sum of the Relevant Swap Mid Curve Rate and 0.50% per annum or, if the Relevant Swap Mid Curve Rate is not able to be determined, the sum of such rate as may be approved by the Bond Trustee and 0.50% per annum; **Gross Redemption Yield** has the meaning given to it (in the case of Fixed Rate Bonds) in Condition 7(d)(i) or (in the case of Indexed Bonds) in Condition 7(d)(iii); **Relevant Swap Mid Curve Rate** means the mid-point of the bid-side and offer-side rates for the fixed leg of a hypothetical interest rate swap with a notional profile equal to the interest profile applicable to the relevant Sub-Class of Bonds to be redeemed to (but excluding) the Scheduled Redemption Date, with the same payment dates as the relevant Bonds, against a floating leg of the Relevant Interest Rate, with no spread, where such hypothetical interest rate swap is between two highly-rated (as rated AA- by S&P or Fitch or Aa3 by Moody's or equivalent or higher) and fully collateralised market counterparties (the Relevant Swap Mid Curve Rate shall be determined by a financial adviser (nominated by the Issuer and approved by the Bond Trustee) using its standard valuation methodology (as at the date of calculation) as at or about the time for determining interest rate quotation in the currency of the relevant Bonds in accordance with market practice on the Reference Date); and **Relevant Interest Rate** means the rate of interest for deposits in the currency of the relevant Bonds and of a duration equal to the length of the Interest Period (other than the first or last Interest Period, if different) of the relevant Bonds as determined as at or about the time for determining interest rate quotation in the currency of the relevant Bonds in accordance with market practice on the Reference Date by reference to the Reuters screen (if the relevant Bonds are denominated in sterling or U.S. dollars) LIBOR01, (if the relevant Bonds are

denominated in euro) EURIBOR01 or (if the relevant Bonds are denominated in a currency other than sterling or euro) specified in the relevant Final Terms or, in each case, such other page as may replace such page or, if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Bond Trustee) as may replace the Reuters screen.

(g) *Early redemption following Loan Enforcement Notice*

If the Issuer receives (or is to receive) any monies from any Obligor following the service of a Loan Enforcement Notice in repayment of all or any part of a Borrower Loan, the Issuer shall, upon giving not more than ten nor less than five days' notice to the Bond Trustee, the Issuer Secured Creditors and the Bondholders in accordance with Condition 16 (*Notices*) apply such monies in accordance with the Issuer Pre-Enforcement Priority of Payments or the Issuer Post-Enforcement Priority of Payments, as applicable, and redeem (to the extent of such monies as are available in accordance with the relevant Issuer Payment Priorities) each Sub-Class of the then outstanding Bonds (corresponding to the advance under the Borrower Loan Agreement which is prepaid in accordance with the provisions of the Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments, if applicable) at their Principal Amount Outstanding plus accrued but unpaid interest on the next Interest Payment Date (or, if sooner, Maturity Date). In the event that there are insufficient monies to redeem all of the Bonds outstanding of a particular Sub-Class, each Bond of such Sub-Class shall be redeemed in part in the proportion which the Principal Amount Outstanding of such Bond to be redeemed bears to the aggregate Principal Amount Outstanding of such Sub-Class.

(h) *Early redemption of Zero Coupon Bonds*

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Bond at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Bond becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 7(h) or, if none is so specified, a Day Count Fraction of 30/360.

In these Conditions, **Accrual Yield** and **Reference Price** have the meanings given to them in the relevant Final Terms.

(i) *Purchase of Bonds*

The Issuer or any Obligor may, provided that no Bond Event of Default has occurred and is continuing, purchase Bonds (provided that all unmatured Receipts and Coupons and unexchanged Talons (if any) appertaining thereto are attached or surrendered therewith) in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike. Such Bonds may be held, reissued, resold or, at the option of the Issuer or the relevant Obligor, may be surrendered to any Paying Agent and/or the Registrar for cancellation in accordance with Condition 7(k) (*Cancellation*).

If not all the Bonds which are in registered and definitive form are to be purchased, upon surrender of the existing Registered Definitive Bond, the Registrar shall forthwith upon the written request of the Bondholder concerned issue a new Registered Definitive Bond in respect of the Bonds which are not to be purchased and despatch such Registered Definitive Bond to the Bondholder (at the risk of the Bondholder and to such address as the Bondholder may specify in such request).

While the Bonds are represented by a Global Bond, the relevant Global Bond will be endorsed to reflect the Principal Amount Outstanding of Bonds to be so purchased and cancelled.

(j) *Redemption by Instalments*

Unless previously redeemed, purchased and cancelled as provided in this Condition 7, each Bond which provides for instalment dates (as specified in the relevant Final Terms, each an **Instalment Date**) and Instalment Amounts (as specified in the relevant Final Terms) will be partially redeemed on each Instalment Date at the Instalment Amount.

(k) *Cancellation*

Any Bearer Bonds or Registered Bonds purchased by or on behalf of the Issuer or by an Obligor in accordance with Condition 7(i) (*Purchase of Bonds*) may be surrendered to or to the order of the Principal Paying Agent or the Registrar, as the case may be, for cancellation and, if so surrendered, will, together with all Bonds redeemed by the Issuer, be cancelled forthwith (together with, in the case of Bearer Bonds, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Bonds so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

(l) *Partly Paid Bonds*

Partly Paid Bonds will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 7 and the applicable Final Terms.

8. *Payments*

(a) *Bearer Bonds*

Payments to the Bondholders of principal (or, as the case may be, Redemption Amounts or other amounts payable on redemption) and interest (or, as the case may be, Interest Amounts) in respect of Bearer Bonds will, subject as mentioned below, be made against presentation and surrender (if the Bond is not intended to be in NGB form) of the relevant Receipts (in the case of payment of Instalment Amounts other than on the due date for final redemption and provided that the Receipt is presented for payment together with its relative Bond), Bonds (in the case of all other payments of principal and, in the case of interest, as specified in Condition 8(f) (*Unmatured Coupons and Receipts and Unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 8(f) (*Unmatured Coupons and Receipts and Unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States of America by transfer to an account denominated in the currency in which such payment is due with, or (in the case of Bonds in definitive form only) a cheque payable in that currency drawn on, a bank in (i) the principal financial centre of that currency provided that such currency is not euro, or (ii) the principal financial centre of any Participating Member State if that currency is euro. On the occasion of each payment, (i) in the case of any Bearer Bond which is not issued in NGB form, a record of such payment made on such Bearer Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Bond by the Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made and (ii) in the case of any Global Bond which is issued in

NGB form, the Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

No payment of principal and/or interest in respect of a Bearer Bond with an original maturity of more than 365 days will be made by a transfer of funds into an account maintained by the payee in the United States or by mailing a cheque to an address in the United States, except as provided in Condition 8(c) (*Payments in the United States of America*).

(b) Registered Bonds

Payments of principal (or, as the case may be, Redemption Amounts) in respect of Registered Bonds will be made to the holder (or the first named of joint holders) of such Bond against presentation and surrender (if the Bond is not intended to be held under the New Safekeeping Structure) of the relevant Registered Bond at the specified office of the Registrar and in the manner provided in Condition 8(a) (*Bearer Bonds*).

Payments of instalments in respect of Registered Bonds will be made to the holder (or the first named of joint holders) of such Bond against presentation (if the Bond is not held under the New Safekeeping Structure) of the relevant Registered Bond at the specified office of the Registrar in the manner provided in Condition 8(a) (*Bearer Bonds*) and annotation of such payment on the Register and the relevant Bond.

Interest (or, as the case may be, Interest Amounts) on Registered Bonds payable on any Interest Payment Date will be paid to the holder (or the first named of joint holders) (i) in respect of a Registered Global Bond, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) in respect of a Registered Definitive Bond on the 15th day before the due date for payment thereof (the **Record Date**). Payment of interest or Interest Amounts on each Registered Bond will be made in the currency in which such payment is due by cheque drawn on a bank in (a) the principal financial centre of the country of the currency concerned, provided that such currency is not euro, or (b) the principal financial centre of any Participating Member State if that currency is euro and mailed to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the Bondholder to the specified office of the Registrar before the relevant Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in (a) the principal financial centre of the country of that currency provided that such currency is not euro, or (b) the principal financial centre of any Participating Member State if that currency is euro.

On the occasion of each payment, (i) in the case of any Registered Bond which is not issued under the New Safekeeping Structure, a record of each payment so made will be endorsed on the schedule to the Global Bond or the Registered Definitive Bond by or on behalf of the Principal Paying Agent or the Registrar, as the case may be, which endorsement shall be *prima facie* evidence that such payment has been made and (ii) in the case of any Global Bond which is issued under the New Safekeeping Structure, the Paying Agent or the Registrar shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

(c) Payments in the United States of America

Notwithstanding the foregoing, if any Bearer Bonds are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if:

- (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States of America with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Bonds in the manner provided above when due;
- (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts; and
- (iii) such payment is then permitted by the law of the United States of America, without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(d) *Payments subject to fiscal laws; payments on Global Bonds*

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of this Condition 8. No commission or expenses shall be charged to the Bondholders, Couponholders or Receiptholders (if any) in respect of such payments.

The holder of a Global Bond shall be the only person entitled to receive payments of principal (or Redemption Amounts) and interest (or Interest Amounts) on the Global Bond (as the case may be) and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Bond in respect of each amount paid.

(e) *Appointment of the Agents*

The Agents appointed by the Issuer (and their respective specified offices) are listed in the Agency Agreement. Any Calculation Agent will be listed in the relevant Final Terms and will be appointed pursuant to a Calculation Agency Agreement. The Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer reserves the right, with the prior written consent of the Bond Trustee, at any time to vary or terminate the appointment of any Agent, and to appoint additional or other Agents, provided that the Issuer will at all times maintain (i) a Principal Paying Agent (in the case of Bearer Bonds), (ii) a Registrar (in the case of Registered Bonds), (iii) an Agent Bank or Calculation Agent (as specified in the relevant Final Terms), (iv) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive as long as at least one such member state does not require a paying agent with an office in that member state to withhold or deduct amounts for or on account of tax, whether pursuant to European Council Directive 2003/48/EC, under the law of that member state or otherwise and (v) if and for so long as the Bonds are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent, Transfer Agent or Registrar in any particular place, a Paying Agent, Transfer Agent and/or Registrar, as applicable, having its specified office in the place required by such listing authority, stock exchange and/or quotation system, which, while any Bonds are admitted to the Official List of the UKLA and/or admitted to trading on the London Stock Exchange – Regulated Market shall be in London. Notice of any such variation, termination, resignation or appointment shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice shall have been given to the Bondholders in accordance with Condition 16 (*Notices*).

(f) *Unmatured Coupons and Receipts and Unexchanged Talons*

- (i) Subject to the provisions of the relevant Final Terms, upon the due date for redemption of any Bond which is a Bearer Bond (other than a Fixed Rate Bond, unless it has all unmatu

Coupons attached), unmatured Coupons and Receipts relating to such Bond (whether or not attached) shall become void and no payment shall be made in respect of them.

- (ii) Upon the date for redemption of any Bond, any unmatured Talon relating to such Bond (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iii) Upon the due date for redemption of any Bond which is redeemable in instalments, all Receipts relating to such Bond having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iv) Where any Bond, which is a Bearer Bond and is a Fixed Rate Bond, is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, a sum equal to the aggregate amount of the missing unmatured Coupons will be deducted from the amount of principal due for payment and redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption of any Bond is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or the Interest Commencement Date, as the case may be, or the Interest Amount payable on such date for redemption shall only be payable against presentation (and surrender if appropriate) of the relevant Bond and Coupon.

(g) *Non-Business Days*

Subject as provided in the relevant Final Terms, if any date for payment in respect of any Bond, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, **business day** means a day (other than a Saturday or a Sunday) on which banks are open for presentation and payment of debt securities and for dealings in foreign currency in London and in the relevant place of presentation and in the cities referred to in the definition of Business Days and (in the case of a payment in a currency other than euro), where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which dealings may be carried on in the relevant currency in the principal financial centre of the country of such currency and, in relation to any sum payable in euro, a day on which the TARGET system is open.

(h) *Talons*

On or after the Interest Payment Date for the final Coupon forming part of a coupon sheet issued in respect of any Bond, the Talon forming part of such coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further coupon sheet (and if necessary another Talon for a further coupon sheet) (but excluding any Coupons which may have become void pursuant to Condition 12 (*Prescription*)).

9. *Taxation*

All payments in respect of the Bonds, Receipts or Coupons will be made (whether by the Issuer, any Paying Agent, the Registrar or the Bond Trustee) without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer, any Paying Agent or the Registrar or, where applicable, the Bond Trustee is required by applicable law to make any payment in respect of the Bonds, Receipts or Coupons subject to any withholding or deduction

for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event, the Issuer, such Paying Agent, the Registrar or the Bond Trustee, as the case may be, shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Issuer, any Paying Agent, the Registrar or the Bond Trustee will be obliged to make any additional payments to the Bondholders, Receiptholders or the Couponholders in respect of such withholding or deduction but without limitation to Condition 7(e). The Issuer, any Paying Agent, the Registrar or the Bond Trustee may require holders to provide such certifications and other documents as required by applicable law in order to qualify for exemptions from applicable tax laws.

10. Bond Events of Default

(a) Bond Event of Default

Each and any of the following events shall be treated as a **Bond Event of Default**:

- (i) *Non-payment*: default is made by the Issuer in the payment of principal in respect of any Sub-Class of the Most Senior Class of Bonds when due in accordance with these Conditions, or default is made by the Issuer for a period of three Business Days in the payment of interest on any Sub-Class of the Most Senior Class of Bonds when due in accordance with these Conditions;
- (ii) *Breach of other obligations*: default is made by the Issuer in the performance or observance of any other obligation, condition, provision, representation or warranty binding upon or made by it under the Bonds or the Issuer Transaction Documents (other than any obligation whose breach would give rise to the Bond Event of Default provided for in paragraph (i) above) and, except where in the opinion of the Bond Trustee such default is not capable of remedy, such default continues for a period of 30 Business Days;
- (iii) *Insolvency Event*: an Insolvency Event occurs in relation to the Issuer; or
- (iv) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Bonds or the Issuer Transaction Documents.

(b) Delivery of Bond Enforcement Notice

If any Bond Event of Default occurs and is continuing and, in the case of the Bond Event of Default described in Condition 10(a)(ii), the Bond Trustee has certified in writing that, in its opinion, the happening of such event is materially prejudicial to the interests of the holders of each Sub-Class of the Most Senior Class of Bonds, the Bond Trustee (i) may, at any time, at its discretion and (ii) shall, upon being so directed in writing by Issuer Qualifying Creditors together holding or representing 25% or more of the Issuer Qualifying Debt, deliver a notice (the **Bond Enforcement Notice**) to the Issuer and copied to the Issuer Security Trustee provided that, in either case, it is indemnified and/or secured and/or prefunded to its satisfaction.

(c) Confirmation of no Bond Event of Default

The Issuer, pursuant to the terms of the Bond Trust Deed, shall provide written confirmation to the Bond Trustee, on an annual basis, that no Bond Event of Default has occurred.

(d) ***Consequences of the delivery of a Bond Enforcement Notice***

Upon delivery of a Bond Enforcement Notice in accordance with Condition (10(b) *Delivery of Bond Enforcement Notice*): (i) all Classes of the Bonds then outstanding shall thereby immediately become due and repayable at their respective Principal Amount Outstanding (in the case of Indexed Bonds, as adjusted in accordance with Condition 6(b) (*Application of the Index Ratio*)) plus accrued but unpaid interest (other than in the case of Zero Coupon Bonds) and, in the case of Indexed Bonds, as adjusted in accordance with Condition 6(b) (*Application of the Index Ratio*) and (ii) the Issuer Security shall become enforceable by the Issuer Security Trustee in accordance with the Issuer Deed of Charge.

Issuer Qualifying Creditors means, in respect of Issuer Qualifying Debt::

- (i) for so long as any Class A Bonds remain outstanding, the holders of each Sub-Class of Class A Bonds and each counterparty (each, a **Cross Currency Hedge Counterparty**) that is party to a cross currency hedging agreement (each, a **Cross Currency Hedging Agreement**) in respect of the Class A Bonds; or
- (ii) if there are no Class A Bonds then outstanding and for so long as any Class B Bonds remain outstanding, the holders of each Sub-Class of Class B Bonds and each Cross Currency Hedge Counterparty that is party to a Cross Currency Hedging Agreement in respect of the Class B Bonds.

Issuer Qualifying Debt means:

- (i) for so long as any Class A Bonds remain outstanding, the sum of (i) the Principal Amount Outstanding of the Class A Bonds and (ii) (as determined by the party or parties which would be responsible for such calculation in the event of the designation of such as an early termination date in accordance with such Cross Currency Hedging Agreement) the mark-to-market value of all transactions arising under Cross Currency Hedging Agreements in respect of the Class A Bonds to the extent that such value represents an amount which would be payable to the relevant Cross Currency Hedge Counterparties if an early termination date was designated at such time in respect of such transactions; or
- (ii) if there are no Class A Bonds then outstanding and for so long as any Class B Bonds remain outstanding, the sum of (i) the Principal Amount Outstanding of the Class B Bonds and (ii) (as determined by the party or parties which would be responsible for such calculation in the event of the designation of such as an early termination date in accordance with such Cross Currency Hedging Agreement) the mark-to-market value of all transactions arising under Cross Currency Hedging Agreements in respect of the Class B Bonds to the extent that such value represents an amount which would be payable to the relevant Cross Currency Hedge Counterparties if an early termination date was designated at such time in respect of such transactions.

11. Enforcement Against Issuer

No Bondholder, Receiptholder, Couponholder or other Issuer Secured Creditor is entitled to take any action against the Issuer or against any assets of the Issuer to enforce its rights in respect of the Bonds or to enforce any of the Issuer Security unless the Bond Trustee or, as the case may be, the Issuer Security Trustee, having become bound so to proceed, fails or neglects to do so within a reasonable period and such failure or neglect is continuing. The Issuer Security Trustee shall, subject to being indemnified and/or secured and/or prefunded to its satisfaction against all fees, costs,

expenses, liabilities, claims and demands to which it may thereby become liable or which it may incur by so doing, upon being so directed in writing by the Bond Trustee, enforce the Issuer Security in accordance with the Issuer Deed of Charge.

None of the Bond Trustee, the Issuer Security Trustee, the Bondholders, the Receiptholders, the Couponholders or the other Issuer Secured Creditors may institute against, or join any person in instituting against, the Issuer any bankruptcy, winding up, re-organisation, arrangement, insolvency or liquidation proceeding (except for the taking of any enforcement action under the Issuer Deed of Charge including the appointment of a Receiver pursuant to the terms of the Issuer Deed of Charge) or similar proceeding under any other law for so long as any Bonds are outstanding or for two years and a day after the latest Maturity Date on which any Bond of any Series is due to mature.

12. Prescription

Claims against the Issuer for payment in respect of the Bonds, Receipts or Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Bond Relevant Date (as defined in Condition 5(i) (*Definitions*)) in respect thereof.

13. Replacement of Bonds, Coupons, Receipts and Talons

If any Bearer Bond, Registered Bond, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and requirements of the London Stock Exchange (in the case of listed Bonds) (and each other listing authority, stock exchange and/or quotation system upon which the relevant Bonds have then been admitted to listing, trading and/or quotation), at the specified office of the Principal Paying Agent or, as the case may be, the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. Meetings of Bondholders, Modification, Waiver and Substitution

(a) Meetings of Bondholders, Modifications and Waiver

The Bond Trust Deed contains provisions for convening meetings of Bondholders of one or more Sub-Classes, to consider matters affecting their interests, including the modification of these Conditions, the Bond Trust Deed and any other Issuer Transaction Document and any other document to which the Bond Trustee is a party or in relation to which the Issuer Security Trustee or the Issuer Security Trustee holds security. Subject to Condition 14(d) (*Modification and waiver*), any modification may (except in relation to any Ordinary Voting Matter or Extraordinary Voting Matter or matter giving rise to an Entrenched Right (as described in further detail in Condition 14(b) (*Relationship with Borrower Secured Creditors*)), Direction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice and subject to the provisions concerning meetings of particular combinations of Sub-Classes of Bonds as set out in Condition 14(c) (*Relationship between Classes*) and the Bond Trust Deed) be made if sanctioned by a resolution passed at a meeting or meetings of the Bondholders of the relevant Sub-Class or Sub-Classes duly convened and held in accordance with the Bond Trust Deed by a majority of not less than three-quarters of the votes cast (an **Extraordinary Resolution**) of such Bondholders. Such a meeting may be convened by the Bond Trustee or the Issuer and shall be convened by the Issuer upon the request in writing of the Bondholders holding not less than one-tenth of the aggregate Principal Amount Outstanding of the outstanding Bonds of the relevant Sub-Class or Sub-Class(es).

The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than 50% of the aggregate Principal Amount Outstanding of the relevant outstanding Bonds or, at any adjourned meeting, one or more persons being or representing Bondholders, whatever the Principal Amount Outstanding of the relevant outstanding Bonds held or represented, provided, however, that certain proposals (the **Basic Terms Modifications**) in respect of any particular Sub-Class of Bonds, being any proposal:

- (i) to change any date fixed for payment of principal or interest in respect of such Sub-Class of Bonds, to change the amount of principal or the rate of interest payable on any date in respect of such Sub-Class of Bonds or (other than as specified in Conditions 7 (*Redemption, Purchase and Cancellation*) and 8 (*Payments*)) to alter the method of calculating the amount of any payment in respect of such Sub-Class of Bonds on redemption or maturity;
- (ii) other than pursuant to Condition 14(d) (*Modification and waiver*), to effect the exchange, conversion or substitution of such Sub-Class of Bonds for, or their conversion into shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed and/or for cash;
- (iii) to change the currency in which amounts due in respect of such Sub-Class of Bonds are payable other than pursuant to redenomination into euro pursuant to Condition 17 (*European Economic and Monetary Union*);
- (iv) to change the quorum required at any meeting or the majority required to pass an Extraordinary Resolution;
- (v) an Entrenched Right where the Issuer is an Affected Borrower Secured Creditor and the interests of the Bondholders are affected thereby; or
- (vi) to amend this definition or this Condition 14 (*Meetings of Bondholders, Modification, Waiver and Substitution*),

may be sanctioned only by an Extraordinary Resolution passed at a meeting of holders of such Sub-Class of Bonds at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate Principal Amount Outstanding of the relevant outstanding Bonds form a quorum. Any resolution duly passed at any such meeting shall be binding on all the relevant Bondholders, Receiptholders and Couponholders whether present or not.

In addition, a resolution in writing signed by or on behalf of the holders of not less than three-quarters of the aggregate Principal Amount Outstanding of the relevant Bonds will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more relevant Bondholders.

Subject to Condition 14(b) (*Relationship with Borrower Secured Creditors*), a meeting of such Bondholders will also have the power (exercisable by Extraordinary Resolution) to advise or instruct the Bond Trustee (including to instruct the Bond Trustee to instruct the Issuer Security Trustee) in connection with the exercise by the Bond Trustee and/or the Issuer Security Trustee (at the direction of the Bond Trustee), as the case may be, of any of their rights, powers and discretions under the Issuer Transaction Documents including to appoint any persons (whether Bondholders or not) as a committee to represent the interests of such Bondholders and to confer upon such committee any powers which such Bondholders could themselves exercise by Extraordinary Resolution.

(b) Relationship with Borrower Secured Creditors

STID Proposals: The STID provides that in respect of, among other things, Ordinary Voting Matters and Extraordinary Voting Matters, Direction Notices, Enforcement Instruction Notices and Further Enforcement Instruction Notices (each as defined in the STID), holders of the Most Senior Class of Bonds shall be entitled to instruct the Bond Trustee how to vote.

Voting in connection with a STID Proposal, Direction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice shall be determined on a pound-for-pound basis by reference to the Outstanding Principal Amount owed to each of the relevant Participating QBS Creditors, so that all votes in favour of the proposal and against the proposal from the Participating QBS Creditors and the other Participating QBS Creditors who are not Bondholders are considered on an aggregated basis, irrespective of whether a majority of such holders of Bonds are in favour of or against the proposal.

For the purpose of voting in connection with a STID Proposal, Direction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice, the Borrower (in the case of a STID Proposal) or, as the case may be, the Borrower Security Trustee shall send a copy of such proposal or request for instructions to the Secured Creditor Representatives of the Issuer. The Bond Trustee shall promptly forward a copy of such notice to the holders of the Most Senior Class of Bonds in accordance with Condition 16 (*Notices*) requesting them to instruct the Bond Trustee how to vote. After obtaining the instructions of the holders of the Most Senior Class of Bonds, the Bond Trustee will vote in relation to the relevant STID Proposal, Direction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice in accordance with such instructions. Subject as provided in the STID, where the holder of any particular Principal Amount Outstanding of any Sub-Class of Bonds of the Most Senior Class instructs the Bond Trustee to vote, the Bond Trustee shall vote in respect of the same Outstanding Principal Amount owed to the Issuer under the tranche of the Borrower Loan Agreement corresponding to such Sub-Class of Bonds as is equal to the aggregate Principal Amount Outstanding of such Sub-Class of Bonds.

Irrespective of the result of voting by the Bondholders in relation to a proposed STID Proposal in respect of an Ordinary Voting Matter or an Extraordinary Voting Matter, a Direction Notice, an Enforcement Instruction Notice or a Further Enforcement Instruction Notice, any matter or action which is the subject of such STID Proposal, Direction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice approved in accordance with the provisions of the STID shall be binding on all of the Bondholders, Receipholders and Couponholders.

If a STID Proposal gives rise to an Entrenched Right whereby the Issuer is an Affected Borrower Secured Creditor, the Bond Trustee shall, subject to being indemnified and/or secured and/or prefunded to its satisfaction, forthwith, in accordance with the Bond Trust Deed, convene a meeting of the holders of each Sub-Class of Bonds then outstanding and affected by such Entrenched Right.

No STID Proposal that gives rise to an Entrenched Right whereby the Issuer is an Affected Borrower Secured Creditor can be approved, in accordance with the terms of the STID, unless it has previously been approved by an Extraordinary Resolution of the holders of each Sub-Class of Bonds affected by the Entrenched Right.

(c) Relationship between Classes

- (i) A Extraordinary Resolution of the holders of any Sub-Class or Sub-Classes of Class A Bonds shall be binding on the Class B Bondholders irrespective of its effect on them, except that an Extraordinary Resolution to sanction a modification of the Conditions, Bonds, Receipts, Coupons or the Issuer Transaction Documents or other document to which the Bond Trustee

or Issuer Security Trustee is a party or in respect of which the Issuer Security Trustee holds security or a waiver or authorisation of any breach or proposed breach thereof or certain other matters specified in the Bond Trust Deed shall not be effective unless

- (A) it is sanctioned by Extraordinary Resolution of each Sub-Class of the Class B Bondholders (to the extent that there are Class B Bonds outstanding); or
 - (B) the Bond Trustee considers that the interests of the Class B Bondholders of each Sub-Class would not be materially prejudiced by the implementation of such Extraordinary Resolution.
- (ii) Other than an Extraordinary Resolution of the Class B Bondholders under Condition 14(c)(i)(B) above, no Extraordinary Resolution of the Holders of any Sub-Class or Sub-Classes of Class B Bonds shall be effective unless (i) it is sanctioned by Extraordinary Resolution of the Class A Bondholders (if any) or (ii) the Bond Trustee considers that the interests of the Class A Bondholders (if any) would not be materially prejudiced by the implementation of such Extraordinary Resolution of each Sub-Class.
- (iii) Conditions 15(a) (*Trustee Considerations*) and (b) (*Reliance on certificates*) in respect of meetings are subject to the further provisions of the Bond Trust Deed.

The Bond Trust Deed provides that, in relation to a Class of Bonds comprising more than one Sub-Class:

- (i) a resolution which in the opinion of the Bond Trustee affects only one Sub-Class of Bonds shall be deemed to have been duly passed if passed at a separate meeting of the holders of that Sub-Class of Bonds;
- (ii) a resolution which in the opinion of the Bond Trustee affects more than one Sub-Class of Bonds but does not give rise to a conflict of interest between the holders of the Sub-Classes of Bonds so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Sub-Classes of Bonds so affected; and
- (iii) a resolution which in the opinion of the Bond Trustee affects more than one Sub-Class of Bonds and gives or may give rise to a conflict of interest between the holders of one Sub-Class or group of Sub-Classes of Bonds so affected and the holders of another Sub-Class or group of Sub-Classes of Bonds so affected shall be deemed to have been duly passed only if passed at separate meetings of each Sub-Class or, as the case may be, group of Sub-Classes of Bonds so affected.

(d) *Modification and waiver*

The Bond Trustee may, without the consent of the Bondholders of any Sub-Class or (subject as provided below) any other Issuer Secured Creditor, concur with, or direct the Issuer Security Trustee to concur with, the Issuer or any other relevant parties in making (i) any modification to the Conditions, Bonds, Receipts, Coupons or the Issuer Transaction Documents (subject as provided in the STID in relation to any of the Security Documents, the Common Terms Agreement, the Master Definitions Agreement, the STID and the Tax Deed (the **Common Documents**)) or other document to which the Bond Trustee or Issuer Security Trustee is a party or, in respect of which the Issuer Security Trustee holds security if in the opinion of the Bond Trustee such modification is made to correct a manifest error, or an error in respect of which an English court would reasonably be

expected to make a rectification order, or is of a formal, minor, administrative or technical nature or (ii) any modification (other than a Basic Terms Modification) to the Conditions, Bonds, Receipts, Coupons or any Issuer Transaction Document (subject as provided in the STID in relation to any Common Documents) or other document to which the Bond Trustee or Issuer Security Trustee is a party or in respect of which the Issuer Security Trustee holds security if the Bond Trustee is of the opinion that such modification is not materially prejudicial to the interests of the Bondholders of the Most Senior Class of Bonds then outstanding provided that to the extent such modification under (ii) above relates to an Issuer Secured Creditor Entrenched Right, each of the affected Issuer Secured Creditors has given its prior written consent.

The Bond Trustee and the Issuer Security Trustee are authorised to execute and deliver on behalf of each Issuer Secured Creditor other than the relevant Issuer Secured Creditors all documentation required to implement such modification and such execution by the Bond Trustee and/or the Issuer Security Trustee, as the case may be, shall bind each of the Bondholders, the Receiptholders, the Couponholders and such Issuer Secured Creditors as if (in the case of such Issuer Secured Creditors) such documentation had been duly executed by it.

The Bond Trustee may, without the consent of the Bondholders of any Sub-Class or (subject as provided below) any other Issuer Secured Creditor and without prejudice to its rights in respect of any subsequent breach or Bond Event of Default, from time to time, and at any time but only if and in so far as in its opinion the interests of the Bondholders of the Most Senior Class of Bonds then outstanding shall not be materially prejudiced thereby, waive or authorise, or direct the Issuer Security Trustee to waive or authorise, any breach or proposed breach by the Issuer or any other relevant party of any of the covenants or provisions contained in the Conditions or any Issuer Transaction Document (subject as provided in the STID in relation to a Common Document) or other document to which the Bond Trustee or Issuer Security Trustee is a party or in respect of which the Issuer Security Trustee holds security, or determine that any event which would otherwise constitute a Bond Event of Default shall not be treated as such for the purposes of the Bond Trust Deed provided that to the extent such event, matter or thing relates to an Issuer Secured Creditor Entrenched Right, each of the affected Issuer Secured Creditors has given its prior written consent and provided further that the Bond Trustee shall not exercise such powers in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Bonds then outstanding or of a request in writing made by holders of not less than 25% in aggregate of the principal amount of the Most Senior Class of Bonds then outstanding (but no such direction or request shall affect any waiver, authorisation or determination previously given or made) or so as to authorise or waive any proposed breach or breach relating to any matter which is the subject of a Basic Terms Modification.

Any such modification, waiver, authorisation or determination may be given or made on such terms and subject to such conditions (if any) as the Bond Trustee may determine, shall be binding on the Bondholders and the holders of all relevant Receipts and Coupons and the other Issuer Secured Creditors and, unless the Bond Trustee agrees otherwise, notice thereof shall be given by the Issuer to the Bondholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter.

Notwithstanding that none of the Bond Trustee, the Issuer Security Trustee, the Bondholders or the other Issuer Secured Creditors has any right of recourse against the Rating Agencies in respect of any confirmation from the Rating Agencies which is relied upon by the Bond Trustee or the Issuer Security Trustee, as the case may be, the Bond Trustee and the Issuer Security Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to the Bonds or any Issuer Transaction Document or any other document to which the Bond Trustee or Issuer Security Trustee is a party or in respect of which the Issuer Security Trustee holds security, that such exercise will not be materially prejudicial to the interests of the Bondholders (or any class of Sub-Class thereof) if the Rating Agencies have provided confirmation that such exercise will not have an adverse effect on the then ratings of the Bonds (or the Bonds of such class

or Sub-Class). Without prejudice to the foregoing, the Bondholders are deemed to agree for the benefit of the Rating Agencies only that a credit rating is, however, an assessment of credit and does not address other matters that may be of relevance to Bondholders. The Bond Trustee, the Issuer Security Trustee and the Bondholders agree and acknowledge that being entitled to rely on the fact that the Rating Agencies have delivered confirmation that the ratings of their Bonds will not be adversely affected does not impose or extend any actual or contingent liability for the Rating Agencies to the Bond Trustee, the Issuer Security Trustee, the Bondholders, any other Issuer Secured Creditor or any other person or create any legal relations between the Rating Agencies and the Bond Trustee, the Issuer Security Trustee, the Bondholders, any other Issuer Secured Creditor or any other person whether by way of contract or otherwise.

(e) *Substitution of the Issuer*

The Bond Trustee may without the consent of the Bondholders, Receiptholders or Couponholders at any time agree with the Issuer to the substitution in place of the Issuer (or of the previous substitute under this Condition) as the principal debtor under the Bonds and the Bond Trust Deed of any holding company of the Issuer, any Subsidiary of such holding company or any Subsidiary of the Issuer (such substituted company being hereinafter called the **New Company**) provided that a trust deed is executed or some other form of undertaking is given by the New Company in form and manner, satisfactory to the Bond Trustee, agreeing to be bound by the provisions of the Bond Trust Deed and these Conditions with any consequential amendments which the Bond Trustee may deem appropriate as fully as if the New Company had been named as the principal debtor in place of the Issuer (or of the previous substitute under this Condition 14(e)) and provided further that the Issuer unconditionally and irrevocably guarantees all amounts payable under the Bonds to the satisfaction of the Bond Trustee.

The following further conditions shall apply to substitution of the Issuer as set out above:

- (i) the Issuer and the New Company shall comply with such other requirements as the Bond Trustee may direct in the interests of the Bondholders;
- (ii) undertakings or covenants shall be given by the New Company in terms corresponding to the provisions of the Conditions;
- (iii) without prejudice to the rights of reliance of the Bond Trustee under paragraph (iv) below, the Bond Trustee is satisfied that the relevant transaction is not materially prejudicial to the interests of the Bondholders; and
- (iv) if two directors of the New Company (or other officers acceptable to the Bond Trustee) shall certify that the New Company is solvent both at the time at which the relevant transaction is proposed to be effected and immediately thereafter (which certificate the Bond Trustee may rely upon absolutely), the Bond Trustee shall not be under any duty to have regard to the financial condition, profits or prospects of the New Company or to compare the same with those of the Issuer or the previous substitute under this Condition 14(e), as applicable.

15. Bond Trustee Protections

(a) *Trustee Considerations*

In connection with the exercise by the Bond Trustee under these Conditions, the Bond Trust Deed or the Issuer Transaction Documents of its rights, powers, trusts, authorities and discretions (including any modification, consent, waiver or authorisation), the Bond Trustee shall:

- (i) where it is required to have regard to the interests of the holders of the Bonds or any Sub-Class of Bonds, have regard to the general interests of the holders of the Bonds or such Sub-Class of Bonds as a class and will not have regard to the consequences of such exercise for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Bond Trustee shall not be entitled to require from the Issuer, nor shall any Bondholders be entitled to claim from the Issuer or the Bond Trustee, any indemnification or other payment in respect of any consequence (including any tax consequence) for individual Bondholders of any such exercise;
- (ii) except where expressly provided otherwise, have regard to the interests of the Class A Bondholders and the Class B Bondholders equally, provided that the Bond Trustee shall have regard to the interests only of the Class A Bondholders if, in the Bond Trustee's opinion, there is a conflict between the interests of the Class A Bondholders and the Class B Bondholders provided that, if, in the Bond Trustee's opinion, there is a conflict of interest between the holders of two or more Tranches or Sub-Classes of Bonds of the same Class, it shall have regard to the interests of the holders of the Tranche or Sub-Class of such Class then outstanding with the greatest Principal Amount Outstanding.

(b) *Reliance on certificates*

The Bond Trustee shall be entitled to rely absolutely on a certificate of any director of the Issuer in relation to any matter and to accept without liability any such certificate as sufficient evidence of the relevant fact or matter stated in such certificate.

16. Notices

Notices to holders of Registered Bonds will be posted to them at their respective addresses in the Register and deemed to have been given on the date of posting. Other notices to Bondholders will be valid if published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*). The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of the London Stock Exchange and any other listing authority, stock exchange and/or quotation system on which the Bonds are for the time being listed. Any such notice (other than to holders of Registered Bonds as specified above) shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders and Receiptholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Bonds in accordance with this Condition 16.

So long as any Bonds are represented by Global Bonds, notices in respect of those Bonds may be given only by delivery of the relevant notice to Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme, DTC or any other relevant clearing system as specified in the relevant Final Terms for communication by them to entitled account holders in substitution for publication in a daily newspaper with general circulation in London. Such notices shall be deemed to have been received by the Bondholders on the day of delivery to such clearing systems.

The Bond Trustee will provide each Rating Agency, at its request, from time to time and provided that the Bond Trustee will not contravene any duty of confidentiality or law or regulation in so doing, with all notices, written information and reports that the Bond Trustee makes available to the Bondholders of any Class or Sub-Class except to the extent that such notices, information or reports contain information confidential to third parties.

17. European Economic and Monetary Union

(a) *Notice of redenomination*

The Issuer may, without the consent of the Bondholders, and on giving at least 30 days' prior notice to the Bondholders, the Bond Trustee and the Principal Paying Agent, designate a date (the **Redenomination Date**), being an Interest Payment Date under the Bonds falling on or after the date on which the UK becomes a Participating Member State.

(b) *Redenomination*

Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

- (i) the Bonds of each Sub-Class denominated in sterling (the **Sterling Bonds**) shall be deemed to be redenominated into euro in the denomination of €0.01 with a principal amount for each Bond equal to the principal amount of that Bond in sterling, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty establishing the European Union, as amended (including compliance with rules relating to rounding in accordance with European Community regulations), provided, however, that, if the Issuer determines, with the agreement of the Bond Trustee, that the then current market practice in respect of the redenomination into €0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Bondholders, the London Stock Exchange and any stock exchange (if any) on which the Bonds are then listed and the Principal Paying Agent of such deemed amendments;
- (ii) if Bonds have been issued in definitive form:
 - (A) all Bonds denominated in sterling will become void with effect from the date (the **Euro Exchange Date**) on which the Issuer gives notice (the **Euro Exchange Notice**) to the Bondholders and the Bond Trustee that replacement Bonds denominated in euro are available for exchange (provided that such Bonds are available) and no payments will be made in respect thereof;
 - (B) the payment obligations contained in all Bonds denominated in sterling will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Bonds in accordance with this Condition 17) shall remain in full force and effect; and
 - (C) new Bonds denominated in euro will be issued in exchange for Sterling Bonds in such manner as the Principal Paying Agent or the Registrar, as the case may be, may specify and as shall be notified to the Bondholders in the Euro Exchange Notice;
- (iii) all payments in respect of the Sterling Bonds (other than, unless the Redenomination Date is on or after such date as sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to

which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Participating Member State; and

- (iv) a Bond may only be presented for payment on a day which is a business day in the place of presentation.

(c) Interest

Following redenomination of the Bonds pursuant to this Condition 17:

- (i) where Sterling Bonds have been issued in definitive form, the amount of interest due in respect of the Sterling Bonds will be calculated by reference to the aggregate principal amount of the Sterling Bonds presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01; and
- (ii) the amount of interest payable in respect of each Sub-Class of Sterling Bonds for any Interest Period shall be calculated by applying the Interest Rate applicable to the Sub-Class of Bonds denominated in euro ranking pari passu to the relevant Sub-Class.

18. Limited Recourse

Each of the Bondholders is deemed to agree with the Issuer that, notwithstanding any other provision of the Issuer Transaction Documents, all obligations of the Issuer to the Bondholders, including its obligations under the Bonds and the Issuer Transaction Documents, are limited in recourse to the Issuer Charged Property. If:

- (i) there is no Issuer Charged Property remaining which is capable of being realised or otherwise converted into cash;
- (ii) all amounts available from the Issuer Charged Property have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Issuer Deed of Charge; and
- (iii) there are insufficient amounts available from the Issuer Charged Property to pay in full, in accordance with the provisions of the Issuer Deed of Charge, the Issuer Secured Liabilities,

then the Bondholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

19. Miscellaneous

(a) Governing Law

The Bond Trust Deed, the Issuer Deed of Charge, the Bonds, the Coupons, the Receipts, the Talons (if any) and the other Issuer Transaction Documents and any non-contractual obligations arising out of or in connection with them shall be governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of England are to have exclusive jurisdiction to settle any dispute including any dispute as to any non-contractual obligations that may arise out of or in connection with the Bond Trust Deed, the Issuer Deed of Charge, the Bonds, the Coupons, the Receipts, the Talons and the other Issuer Transaction Documents and, accordingly, any legal action or proceedings arising out of or in connection with the Bonds, the Coupons, the Receipts, the Talons (if any) and/or the Finance Documents may be brought in such courts. The Issuer has in each of the Finance Documents to which it is a party irrevocably submitted to the jurisdiction of such courts.

(c) *Third Party Rights*

No person shall have any right to enforce any term or condition of the Bonds or the Bond Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(d) *Rights Against Issuer*

Under the Bond Trust Deed, persons shown in the records of DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to interests in the Bonds will (subject to the terms of the Bond Trust Deed) acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Bond became void, they had been the registered Holders of Bonds in an aggregate principal amount equal to the principal amount of Bonds they were shown as holding in the records of Euroclear, Clearstream, Luxembourg or any other relevant clearing system (as the case may be).

(e) *Clearing System Accountholders*

References in the Conditions of the Bonds to **Bondholder** are references to the bearer of the relevant Bearer Global Bond or the person shown in the Register as the holder of the Registered Global Bond.

Each of the persons shown in the records of DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system (the **Clearing Systems**), as the case may be, as being entitled to an interest in a Global Bond (each an **Accountholder**) must look solely to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer, to such Accountholder and in relation to all other rights arising under the Global Bond. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Bond will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system (as the case may be) from time to time. For so long as the relevant Bonds are represented by a Global Bond, Accountholders shall have no claim directly against the Issuer or in respect of payments due under the Bonds and such obligations of the Issuer will be discharged by payment to the bearer or registered holder of the Global Bond, as the case may be.

FORMS OF THE BONDS

The Bonds of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Bonds will be issued outside the United States in reliance on Regulation S and Registered Bonds will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

Bearer Bonds

Each Sub-Class of Bearer Bonds will be initially issued in the form of a Temporary Bearer Global Bond or, if so specified in the applicable Final Terms, a Permanent Bearer Global Bond and, together with a Temporary Bearer Global Bond which, in either case, will:

- (a) if the Global Bonds are intended to be issued in NGB form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg; and
- (b) if the Global Bonds are not intended to be issued in NGB form, be delivered on or prior to the original issue date of the Sub-Class to the Common Depository for, Euroclear and Clearstream, Luxembourg.

While any Bearer Bond is represented by a Temporary Bearer Global Bond, payments of principal, interest (if any) and any other amount payable in respect of the Bonds due prior to the Exchange Date will be made (against presentation of the Temporary Bearer Global Bond if the Temporary Bearer Global Bond is not intended to be issued in NGB form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the Exchange Date interests in such Temporary Bearer Global Bond will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Bond of the same Series or (ii) Bearer Definitive Bonds of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Bearer Definitive Bonds, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive Bearer Definitive Bonds. The holder of a Temporary Bearer Global Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Bond for an interest in a Permanent Bearer Global Bond or for Bearer Definitive Bonds is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Bond will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Bond if the Permanent Bearer Global Bond is not intended to be issued in NGB form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Bond will be exchangeable (free of charge), in whole but not in part, for Bearer Definitive Bonds with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice given at any time from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such

Permanent Bearer Global Bond) to the Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that (i) an Event of Default has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Bond Trustee is available. The Issuer will promptly give notice to Bondholders in accordance with Condition 16 (*Bond Trustee Protections*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or the common depositary or the common safekeeper for Euroclear and Clearstream, Luxembourg, as the case may be, on their behalf (acting on the instructions of any holder of an interest in such Permanent Bearer Global Bond) may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Bonds which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Bonds:

"ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Bonds, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Bonds, receipts or interest coupons.

Bonds which are represented by a Bearer Global Bond will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Bonds

The Registered Bonds of each Series offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a Regulation S Global Bond. Prior to expiry of the Distribution Compliance Period applicable to each Series of Bonds, beneficial interests in a Regulation S Global Bond may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 (*Exchanges of Bearer Bonds for Registered Bonds and Transfers of Registered Bonds*) and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Bond will bear a legend regarding such restrictions on transfer.

The Rule 144A Bonds of each Tranche offered and sold in the United States or to U.S. persons may only be offered and sold in private transactions to QIBs. The Registered Bonds of each Tranche sold to QIBs will be represented by a Rule 144A Global Bond. Registered Global Bonds will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC or (ii) be deposited with a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Bonds will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Bonds in fully registered form.

The Registered Global Bonds will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Bonds will, in the absence of provision to the contrary, be made to the person shown on the Register as the registered holder of the Registered Global Bonds. None of the Issuer, any Paying Agent, the Bond Trustee or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Bonds in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date immediately preceding the due date for payment in the manner provided in Condition 8 (*Payments*).

Interests in a Registered Global Bond will be exchangeable (free of charge), in whole but not in part, for definitive Registered Bonds without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that (i) a Bond Event of Default has occurred and is continuing, (ii) in the case of Bonds registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Bonds and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available or (iii) in the case of Bonds registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Bond Trustee is available. The Issuer will promptly give notice to Bondholders in accordance with Condition 16 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Bond) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Bond may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Bond. No beneficial owner of an interest in a Registered Global Bond will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Bonds are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions; see "*Subscription and Sale*".

General

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Sub-Class of Bonds is issued which is intended to form a single Series with an existing Sub-Class of Bonds, the Bonds of such further Sub-Class shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS number assigned to Bonds of any other Sub-Class of the same Series until at least the expiry of the Distribution Compliance Period.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Bond Trustee.

No Bondholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Bond Trustee or the Issuer Security Trustee, as the case may be, having become bound so to proceed,

fails so to do within a reasonable period and the failure shall be continuing. In addition, holders of interests in such Global Bond credited to their accounts with DTC may require DTC to deliver Definitive Bonds in registered form in exchange for their interest in such Global Bond in accordance with DTC's standard operating procedures.

The Issuer may agree with any Dealer that Bonds may be issued in a form not contemplated by the Terms and Conditions of the Bonds herein, in which event a new Prospectus or a supplement to this Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Bonds.

Provisions Relating to the Bonds while in Global Form

Global Bonds will contain provisions that apply to the Bonds which they represent, some of which modify the effect of the Conditions of the Bonds as set out in this Prospectus. The following is a summary of certain of those provisions:

- *Meetings:* The holder of a Global Bond shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, the holder of a Global Bond shall be treated as having one vote in respect of each minimum denomination of Bonds for which such Global Bond may be exchanged.
- *Cancellation:* Cancellation of any Bond represented by a Global Bond that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Global Bond.
- *Notices:* So long as any Bonds are represented by a Global Bond and such Global Bond is held on behalf of Euroclear, Clearstream, Luxembourg or any other relevant Clearing System, notices to the Bondholders may be given, subject always to listing requirements, by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or any other relevant Clearing System for communication by it to entitled Accountholders in substitution for publication as provided in the Conditions. Such notices shall be deemed to have been received by the Bondholders on the date of delivery to such clearing systems.

BOOK-ENTRY CLEARANCE PROCEDURE

The information set out below has been obtained from the Clearing Systems and the Issuer believes that such sources are reliable, but prospective investors are advised to make their own enquiries as to such procedures. The Issuer accepts responsibility for the accurate reproduction of such information from publicly available information. In particular, such information is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System.

Euroclear and Clearstream, Luxembourg

Custodial and depositary links have been established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of each Series of the Bonds and cross-market transfers of the Bonds associated with secondary market trading. Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Investors may hold their interests in Global Bonds directly through Euroclear or Clearstream, Luxembourg as Direct Participants or indirectly as Indirect Participants.

Book-entry ownership

Each Global Bond will have an ISIN and a common code and will be deposited with a common depositary or common safekeeper, as the case may be, on behalf of Euroclear and Clearstream, Luxembourg. Each Global Bond will have an ISIN and a common code and will be registered in the name of a common depositary or nominee on behalf of Euroclear and Clearstream, Luxembourg.

Payments and relationship of participants with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Bond represented by a Global Bond must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Bond and in relation to all other rights arising under the Global Bond, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg. The Issuer expects that, upon receipt of any payment in respect of Bonds represented by a Global Bond, the common depositary or common safekeeper, as the case may be, by whom such Bond is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant Clearing System with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Bond (as the case may be) as shown on the records of the relevant Clearing System or its nominee. The Issuer also expects that payments by Direct Participants in any Clearing System to owners of beneficial interests in any Global Bond held through such Direct Participants in any Clearing System will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Bonds for so long as the Bonds are represented by such Global Bond and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Bond in respect of each amount so paid.

Settlement and transfer of Bonds

Subject to the rules and procedures of each applicable Clearing System, purchases of Bonds held within a Clearing System must be made by or through Direct Participants, which will receive a credit for such Bonds on the Clearing System's records. The Beneficial Owner will in turn be recorded on the Direct Participants' and Indirect Participants' records. Transfers of ownership interests in Bonds held within the Clearing System will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in such Bonds, unless and until interests in any Global Bond held within a Clearing System are exchanged for Definitive Bonds.

PRO FORMA FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Bonds issued under the Programme.

Final Terms dated [●]

Gatwick Funding Limited *(the Issuer)*

Issue of [Sub-]Class [–[●] (delete as appropriate)] [Aggregate nominal amount of Sub-Class]

[Title of Bonds]
under the Bond Programme

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold in the United States or to U.S. Persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available. See "*Subscription and Sale*" and "*Transfer Restrictions*" in the accompanying Prospectus.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Prospectus dated [●] [and the supplemental or drawdown Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the Prospectus Directive). This document constitutes the Final Terms of the Bonds described herein for the purposes of [Article 5.4 of the Prospectus Directive] [Listing Rule 4.2.3 of the Listing Rules] and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Prospectus. [The Prospectus [and the supplemental/drawdown Prospectus] [is] [are] available for viewing at [●].]

Arranger for the Programme:

The Royal Bank of Scotland plc

Dealers:

[●]

[When completing Final Terms or adding any other final terms or information, consideration should be given as to whether such terms or information constitute (i) (in the case of an application to list the Bonds on the London Stock Exchange – Regulated Market) "significant new factors" and consequently trigger the need for a supplementary or drawdown Prospectus under Article 16 of the Prospectus Directive or (ii) (in the case of an application to list the Bonds on the London Stock Exchange's Professional Securities Market) "a significant change" and consequently trigger the need for a supplement to the Prospectus under section 81 of the FSMA.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub paragraphs. Italics denote directions for completing the Final Terms.]

1. Issuer Gatwick Funding Limited
2. (a) Series Number [●]
- (b) Sub-Class Number: [●]
(If fungible with an existing Sub-Class, details of that Sub-Class, including the date on which the Bonds become fungible.)
3. Relevant Currency or Currencies: [●]
4. Aggregate nominal amount of Bonds admitted to trading:
 - (a) Series: [●]
 - (b) Tranche: [●]
 - (c) Sub-Class: [●]
5. (a) Issue Price: [●]% of the aggregate nominal amount [plus accrued interest from [insert date] *(in the case of fungible issues only, if applicable)*].
- (b) Net proceeds (required only for listed issues): [●]
6. (a) Specified Denominations: [€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Bonds in definitive form will be issued with a denomination above [€199,000].]

[\$100,000 *[or in such higher amount equivalent to €100,000]* and integral multiples of [\$1,000] in excess thereof up to and including [\$199,000]. No Bonds in definitive form will be issued with a denomination above [\$199,000].]

[£100,000 and integral multiples of [£1,000] in excess thereof up to and including [£199,000]. No Bonds in definitive form will be issued with a denomination above [£199,000].]
- (b) Calculation Amount: [●]

(To avoid certain ongoing reporting obligations under the Transparency Directive and to fall within the wholesale debt securities regime, the minimum denomination should be €100,000 or equivalent if

Bonds are to be listed on an EU regulated market. In the case of Registered Bonds, this means the minimum integral amount in which transfers can be made). Bonds (including Bonds denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the UK or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

7. (a) Issue Date: [●]
 (b) Interest Commencement Date (if different from the Issue Date): [●]
8. (a) Scheduled Redemption Date: [Not Applicable/specify]
 (b) Maturity Date: [●]
9. Instalment Date: [Not Applicable/specify]
10. Interest Basis: [[●]% Fixed Rate]
 [[specify reference] +/- [●]% Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [specify other]
11. Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [Partly Paid]
 [Instalment]
 [Dual Currency]
 [specify other]
12. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Bonds into another interest or redemption/payment basis*]
13. Put/Call Options: Issuer Call Option [(further particulars specified below)]
14. (a) Status and Ranking: [*if Class A Bonds:*]

The Class A Bonds rank *pari passu* among each other in terms of interest and principal payments and rank in priority to the Class B Bonds (if any).

[*if Class B Bonds:*]

The Class B Bonds rank *pari passu* among each other and are subordinated in terms of interest and principal payments to the Class A Bonds.

[(b)] [Date [Board] approval for issuance of Bonds obtained: [●] and [●] respectively]]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Bonds)

15. Listing: [London] [and other exchanges as applicable]

16. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17. Fixed Rate Bond Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Interest Rate: [●]% per annum [payable [annually/ semi-annually/quarterly/monthly] in arrear]

[Floating rate provisions to be specified for interest payable following Scheduled Redemption Date]

(b) Screen Rate Determination:

- Relevant Rate: [●]

- Interest Determination Date(s): [●]

- Relevant Screen Page: [●]

- Relevant Time: [local time when Relevant Rate set]

ISDA Determination:

- Floating Rate Option: [●]

- Designated Maturity: [●]

- Specified Duration: [if other than the relevant Interest Period]

- Reset Date: [●]

(c) Step-Up Fixed Fee Rate: [●]% per annum

(d) Interest Determination Date: [●] in each year [(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon – only relevant where day count fraction is Actual/Actual (ICMA))]

(e) Interest Payment Date(s): [●] in each year [adjusted in accordance with [specify Business Day Convention and applicable Business Centre(s) for the definition of "Business

- Day"/not adjusted]
- (f) First Interest Payment Date: [●]
- (g) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (h) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*
- (i) Day Count Fraction: [Actual/Actual ICMA] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual/360] [30/360 or 360/360 or bond basis] [30E/360 or Eurobond Basis]
- (j) Other terms relating to the method of calculating interest for Fixed Rate Bonds: *[Not Applicable/give details]*
- (k) Reference Gilt: [●]
- (l) Comparable German Bund Issue: [●]
- (m) Alternative Redemption Amount: *[Not Applicable/give details]*
- Reuters Screen: [●]
18. Floating Rate Bond Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [●]
- (b) Specified Interest Payment Dates [●]
- (c) First Interest Payment Date [●]
- (d) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
- (e) Business Centre(s): [●]
- g189 Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other *(give details)*]
- (f)
- (g) Party responsible for calculating the Rate(s) of Interest, Interest Amount(s) and Redemption Amount (if not the Agent Bank): [Not Applicable/Calculation Agent]
- (h) Screen Rate Determination:

- Relevant Rate: [●]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
 - Relevant Time: [*local time when Relevant Rate set*]
- (i) ISDA Determination:
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Specified Duration: [*if other than the relevant Interest Period*]
 - Reset Date: [●]
- (j) Margin(s): [+/-] [●] % per annum
- (k) Subordinated Step-Up Fee Amount: [●] % per annum
- (l) Minimum Interest Rate: [Not Applicable]
- (m) Maximum Interest Rate: [Not Applicable]
- (n) Day Count Fraction: [Actual/Actual ICMA] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual/360] [30/360 or 360/360 or Bond Basis] [30E/360 or Eurobond Basis]
- (o) Additional Business Centre(s): [●]
- (p) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Bonds, if different from those set out in the Conditions: [●]
- (q) Relevant Financial Centre: [●]
- (r) Representative Amount: [●]
- (s) Reference Banks: [*if none specified, four major banks selected by Agent Bank/Calculation Agent*]
19. Zero Coupon Bond Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Accrual Yield: [●] % per annum
 - (b) Reference Price: [●]

- (c) Any other formula/basis of determining amount payable: [●]
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Condition 7(e) (*Redemption for Index Event, Taxation or Other Reasons*)/specify other] (*Consider applicable day count fraction if not U.S. dollar denominated*)
20. Indexed Bond Provisions: [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (a) Index/Formula: [UK Retail Price Index][3 months lag][6 months lag]
- (b) Interest Rate: [●]
[*Floating rate provisions to be specified for interest payable following Scheduled Redemption Date*]
- (c) Screen Rate Determination:
- Relevant Rate: [●]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
 - Relevant Time: [*local time when Relevant Rate set*]
- ISDA Determination:
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Specified Duration: [*if other than the relevant Interest Period*]
 - Reset Date: [●]
- (d) Step-Up Fixed Fee Rate: [●]% per annum
- (e) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Agent Bank): [Not Applicable/Calculation Agent]
- (f) Provisions for determining Coupon in the event of changes in circumstances, disruptions, cessation or fundamental changes to the Index: Applicable – Conditions 6(c) (*Changes in Circumstances Affecting the Index*) and 6(e) (*Cessation of or Fundamental Changes to the Index*)
- (g) Interest or calculation period(s): [●]
- (h) Interest Payment Dates: [●]

- (i) First Interest Payment Date: [●]
- (j) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (k) Business Centre: [●]
- (l) Minimum Indexation Factor: [Not Applicable/*specify*]
- (m) Minimum Indexation Factor: [Not Applicable/*specify*]
- (n) Base Index Figure: [●]
- (o) Limited Indexation Month(s): [●]
- (p) Reference Gilt: [●]
- (q) Day Count Fraction: [Actual/Actual ICMA] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual/360] [30/360 or 360/360 or Bond Basis] [30E/360 or Eurobond Basis]
- (r) Alternative Redemption Amount: [Not Applicable/*give details*]
- Reuters Screen: [●]
21. Dual Currency Bond Provisions: [Applicable/Not Applicable]
[If not applicable, delete the remaining sub-paragraphs of this paragraph]
- (a) Rate of Exchange/method of calculating Rate of Exchange: [Give details]
- (b) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Agent Bank): [Not Applicable/Calculation Agent]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (d) Person at whose option Specified Currency(ies) is/are payable: [●]

PROVISIONS RELATING TO REDEMPTION

22. Issuer Call Option: Applicable in accordance with Condition 7(d) (*Optional Redemption*)
- (a) Optional Redemption Date(s): Any Interest Payment Date [falling on or after [●] and at a premium of [●] (delete for non-Floating Rate Bonds)].

- (b) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (c) If redeemable in part:
- (d) Minimum Redemption Amount: [Not Applicable]
- (e) Maximum Redemption Amount: [Not Applicable]
- (f) Notice period (if other than as set out in the Conditions): [Not Applicable]
23. Put Option: [Not Applicable]
24. Final Redemption Amount of each Bond:
- In cases where the Redemption Amount is Index-Linked or other variable-linked: [●] per Calculation Amount
- (a) Index/Formula/variable: [*give or annex details*]
- (b) Party responsible for calculating the Final Redemption Amount (if not the [Agent]): [●]
- (c) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula [●]
- and/or other variable:
- (d) Determination Date(s): [●]
- (e) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:
- (f) Maturity Date: [●]
- (g) Minimum Final Redemption Amount: [●] per Calculation Amount
- (h) Maximum Final Redemption Amount: [●] per Calculation Amount
25. Early Redemption Amount:

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):

GENERAL PROVISIONS APPLICABLE TO THE BONDS

26. Form of Bonds: [Bearer/Registered]
- (a) If issued in Bearer form: [Temporary Bearer Global Bond exchangeable for a Permanent Bearer Global Bond which is exchangeable for Bearer Definitive Bonds in the limited circumstances specified in the Permanent Bearer Global Bond.]
- [Temporary Bearer Global Bond exchangeable for Bearer Definitive Bonds on [●] days' notice.]
- [Permanent Bearer Global Bond exchangeable for Bearer Definitive Bonds (i) on 60 days' notice or (ii) upon the occurrence of an Exchange Event.]
- (N.B. The exchange upon notice should not be expressed to be applicable if the Specified Denomination of the Bonds in paragraph 6 includes language substantially to the following effect: "If Permanent Bearer Global Bonds are exchangeable for Bearer Definitive Bonds upon notice, then such Bearer Definitive Bonds may only be issued in denominations equal to or greater than €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Bonds in definitive form will be issued with a denomination above €99,000.")*
- (A Temporary Bearer Global Bond is required unless TEFRA C Rules apply or TEFRA is not applicable.)*
- (If Temporary Bearer Global Bonds are exchangeable for Bearer Definitive Bonds upon notice, then such Bearer Definitive Bonds may only be issued in denominations equal to, or greater than, €100,000 (or equivalent) and integral multiples thereof.)*
- (b) If Registered Bonds: [Regulation S Global Bond (U.S.\$[] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for

Euroclear and Clearstream, Luxembourg.]]

[Rule 144A Global Bond (U.S.\$[] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg.]]

27. New Global Bond: [Yes/No]
28. Relevant Financial Centre(s) or other special provisions relating to Interest Payment Dates and/or Maturity Date: [Not Applicable/give details.]
29. Talons for future Coupons or Receipts to be attached to Definitive Bonds (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
30. Details relating to Partly Paid Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Bonds and interest due on late payment: [Not Applicable/give details]
31. Details relating to Instalment Bonds: [Not Applicable/give details]
- (a) Instalment Date: [●]
- (b) Instalment Amount: [●]
32. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 17 (*European Economic and Monetary Union*)] annexed to these Final Terms apply]]
33. Consolidation provisions: [Not Applicable/The provisions annexed to these Final Terms apply]
34. Other final terms: [Not Applicable/give details] (*When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*)
35. TEFRA rules: [TEFRA C/TEFRA D/Not Applicable]

BORROWER LOAN TERMS

36. Amount of relevant Term [●]

Advance/Index Linked Advances:

37. Interest rate on relevant Term Advance/Index Linked Advances: [●]
38. Term of relevant Term Advance/Index Linked Advances: [●]
39. Relevant repayment date: [●]
40. Other relevant provisions: [●]

DISTRIBUTION

41. (a) If syndicated, names of Managers: [Not Applicable/*give names*]
- (b) Stabilising Manager (if any): [Not Applicable/*give name*]
42. If non-syndicated, name of Dealer: [Not Applicable/*give name*]
43. Additional selling and transfer restrictions: [Not Applicable/*give details*]

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Bonds described herein pursuant to the listing of the Programme for the issuance of up to £[5],000,000,000 of Bonds.

RESPONSIBILITY

The Issuer and each Obligor accept responsibility for the information contained in these Final Terms.

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer and each Obligor confirm that such information has been accurately reproduced and that, so far as they are aware, and are able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

* Delete as applicable

Signed on behalf of the Issuer:
By:
Duly authorised

Signed on behalf of Gatwick Airport Limited:
By:
Duly authorised

Signed on behalf of Ivy Holdco Limited:
By:
Duly authorised

PART B – OTHER INFORMATION

1. Listing

- (a) Listing: [London/Luxembourg/other (*specify*)/None]
- (b) Admission to trading: [Application has been made for the Bonds to be admitted to trading on [●] with effect from [●].
[Not Applicable.]]
- (c) Estimate of total expenses related to admission to trading: [●]

2. Ratings

- Ratings: The Bonds to be issued have been rated:
[S&P: [●]]
[Fitch: [●]]
(The above disclosure should reflect the rating allocated to Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)
[[*Insert credit rating agency*] is established in the European Union and has applied for registration under Regulation (EU) No 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]
[[*Insert credit rating agency*] is established in the European Union and registered under Regulation (EU) No 1060/2009.]
[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009.]
[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009]
- However the application under Regulation (EC) No. 1060/2009 of [insert name of the relevant EU CRA affiliate that applied for registration], which is established in the European Union disclosed the intention to endorse credit ratings of [insert credit rating agency]].
- [[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. The ratings [[have been]/[are expected to be]] endorsed by [insert the name of the relevant EU-registered credit rating agency] in accordance with Regulation (EC) No. 1060/2009.

[Insert the name of the relevant EU registered credit rating agency] is established in the European Union and registered under Regulation (EC) No. 1060/2009.]

[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009, but it is certified in accordance with such Regulation.]

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the Regulation (EU) No 1060/2009 (**CRA Regulation**) unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

3. **[Issuer Hedge Counterparties**

Issuer Hedge Counterparty: *[Name of Issuer Hedge Counterparty]*

Current Rating: [S&P: [●]]; [Fitch: [●]]; [Moody's: [●]]

Address of Issuer Hedge Counterparty: *[Address of Issuer Hedge Counterparty]*

Brief description of Issuer Hedge Counterparty: *[Insert details of Issuer Hedge Counterparty]*

4. **[Borrower Hedge Counterparties**

Borrower Hedge Counterparty: *[Name of Borrower Hedge Counterparty]*

Current Rating: [S&P: [●]]; [Fitch: [●]]; [Moody's: [●]]

Address of Borrower Hedge Counterparty: *[Insert address of Hedge Counterparty]*

Brief description of Borrower Hedge Counterparty: *[Insert details of Hedge Counterparty]*

5. **[Notification**

The UK Listing Authority [has been requested to provide/has provided – *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

6. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

Need to include a description of any interests, including conflicting ones, that are material to the issue/offer, detailing the persons involved and the nature of the interests. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Bonds has an interest material to the offer."

7. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(a) [Reasons for the offer: [●]
(If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

(b) [Estimated net proceeds: [●]
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]

(c) [Estimated total expenses: [●](Include breakdown of expenses.)
(Only necessary to include disclosure of net proceeds and total expenses at paragraphs (b) and (c) above where disclosure is included at paragraph (a) above.)]⁽¹⁾

8. [Fixed Rate Bonds only – YIELD]

Indication of yield: [●]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

9. [Index-Linked or other variable-linked Bonds only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING]

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.⁽²⁾

10. [Dual currency Bonds only – PERFORMANCE OF RATE[S] OF EXCHANGE]

Need to include details of where past and future performance and volatility of the relevant

rate[s] can be obtained.](³)

11. Operational information

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and member(s) and address(es)]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [●]

ISIN Code: [●]

Common Code: [●]

CUSIP [●]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes/No]
[Note that the designation "yes" simply means that the Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS,] [include this text for Registered Bonds which are to be held under the NSS] and does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [Include this text if "yes" selected in which case Bearer Bonds must be issued in NGB form]

Notes:

- (1) Required for derivative securities.
- (2) Required for derivative securities.
- (3) Required for derivative securities.

USE OF PROCEEDS

The net proceeds of each series of Bonds will be lent by the Issuer to the Borrower under the Borrower Loan Agreement.

The Borrower will apply the proceeds of the Borrower Loans for, amongst other things, its general corporate purposes including:

- (i) to fund operating and capital expenditure; and
- (ii) to pay interest on and refinance (A) loans made under its term Capex and revolving loan facilities which, under the Initial Authorised Credit Facility Agreement, were entered into on the Establishment Date and (B) certain intercompany indebtedness.

DESCRIPTION OF ISSUER HEDGE COUNTERPARTIES

The Issuer may enter into hedging arrangements with Issuer Hedge Counterparties from time to time in accordance with the Hedging Policy. For general details of the hedging arrangements see "*Summary of Finance Agreements – Hedging*". Such Issuer Hedge Counterparties will satisfy the relevant Rating Agency requirements existing at the time. Details of the identity and current rating of any Issuer Hedge Counterparty appointed in connection with the issue of a Series of Bonds will be set out in the relevant Final Terms.

TAX CONSIDERATIONS

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Bonds and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of interest on the Bonds. The comments below may not apply to certain classes of person (such as dealers and persons connected to the Issuer). The following is not exhaustive and does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Bonds. The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may be subject to change in the future. Prospective Bondholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payment of Interest on the Bonds

Payments of interest on the Bonds may be made without deduction or withholding of or on account of United Kingdom income tax provided that the Bonds continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds remain so listed, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Bonds may also be paid without withholding or deduction of or on account of United Kingdom income tax where interest on the Bonds is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Bonds is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the Bonds may also be paid without withholding or deduction of or on account of United Kingdom income tax where the maturity of the Bonds is less than 365 days and those Bonds do not form part of a scheme or arrangement of borrowing capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Bonds on account of United Kingdom income tax at the basic rate (currently 20%). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Bondholder, HMRC can issue a notice to the Issuer to pay interest to the Bondholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Bondholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Bondholder. HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Bonds which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5 April 2012. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by

HMRC with the tax authorities of the jurisdiction in which the Bondholder is resident for tax purposes.

JERSEY TAXATION

The following summary of Jersey taxation law in relation to the holding, sale or other disposition of Bonds by Bondholders (other than Jersey residents) and the payment of interest in respect of the Bonds to Bondholders (other than residents of Jersey) is based on Jersey taxation law as it is understood to apply at the date of this Prospectus. It does not constitute legal or tax advice. Bondholders should consult their professional advisers on the implications of acquiring, buying, holding, selling or otherwise disposing of Bonds under the laws of the jurisdictions in which they may be liable to taxation. Bondholders should be aware that tax laws, rules and practice and their interpretation may change.

Under the Jersey Income Tax Law, the Issuer will be regarded as not resident in Jersey under Article 123(1) of the Jersey Income Tax Law provided that (and for so long as) it satisfies the conditions set out in that provision in which case the Issuer will not (except as noted below) be liable to Jersey income tax.

If the Issuer derives any income from the ownership or disposal of land in Jersey, such income will be subject to tax at the rate of 20%. It is not expected that the Issuer will derive any such income.

The Issuer will be able to pay interest in respect of the Bonds without any withholding or deduction for or on account of Jersey tax. Bondholders (other than residents of Jersey) will not be subject to any Jersey tax in respect of the holding, sale or other disposition of the Bonds.

Goods and Services Tax

The Issuer is an "international services entity" for the purposes of the GST Law. Consequently, the Issuer is not required to:

- (a) register as a taxable person pursuant to the GST Law;
- (b) charge goods and services tax in Jersey in respect of any supply made by it; or
- (c) (subject to limited exceptions that are not expected to apply to the Issuer) pay goods and services tax in Jersey in respect of any supply made to it.

Stamp Duty

Stamp duty of up to 0.75% is payable on the grant of probate or letters of administration in Jersey in respect of a deceased natural person (i) who died domiciled in Jersey, on the value of the entire estate (including any Bonds or interests therein) and (ii) otherwise, on the value of so much of the estate (including any Bonds or interests therein) if any, as is situate in Jersey.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, certain member states are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other

countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

As part of an agreement reached in connection with the Directive, and in line with steps taken by other countries, Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy and Resources Committee of the States of Jersey. Based on these provisions and the Issuer's understanding of the current practice of the Jersey tax authorities (and subject to the transitional arrangements described above) the Issuer would not be obliged to levy retention tax in Jersey under these provisions in respect of interest payments made by it to a paying agent established outside Jersey.

SUBSCRIPTION AND SALE

Dealership Agreement

Bonds may be sold from time to time by the Issuer to any one or more of the Dealers in each case acting as principal or to subscribers from whom subscriptions have been procured by the Dealers, in each case pursuant to the Dealership Agreement. The arrangements under which a particular Sub-Class of Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers or subscribers are set out in the Dealership Agreement and the Subscription Agreements relating to each Sub-Class of Bonds. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Bonds, the price at which such Bonds will be purchased by the Dealers or subscribers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series, Class or Sub-Class of Bonds.

In the Dealership Agreement, the Issuer, failing whom the Borrower, has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and maintenance of the Programme and the issue of Bonds under the Dealership Agreement and the Issuer and each of the Obligor has agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States of America

The Bonds have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act and, in each case, in circumstances that will not require the Issuer to register under the Investment Company Act. Terms used in this paragraph have the meaning given to them in Regulation S.

Bearer Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Unless otherwise provided in the relevant Final Terms, the Bonds will be offered, sold and delivered only outside the United States, to persons who are not U.S. persons, in offshore transactions in reliance on Regulation S.

Each Dealer has agreed or will agree that it has offered and sold, and it will offer and sell, Regulation S Bonds of any Series (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Regulation S Bonds are a part, as determined and certified to the Principal Paying Agent by the relevant Dealer (or in the case of a sale of an identifiable tranche of Regulation S Bonds to or through more than one relevant Dealer, by each of such relevant Dealers as to the Regulation S Bonds of such identifiable tranche purchased by or through it, in which case the Principal Paying Agent shall notify each such relevant Dealer when all such relevant Dealers have so certified), only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts in the United States with respect to Regulation S Bonds, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer and its affiliates will also agree that, at or prior to confirmation of sale of Regulation S Bonds to a distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Regulation S Bonds from it during the distribution compliance period it will send to such purchaser a confirmation or notice stating that such purchaser is subject to the foregoing restrictions on offers and sales. Terms used in this paragraph have the meanings given to them by Regulation S. Due to the restrictions set forth above and in the relevant Final Terms,

purchasers of the Bonds are advised to consult legal counsel prior to making an offer to purchase or to re-sell, pledge or otherwise transfer the Bonds.

Purchasers of Bonds shall be deemed to have made the representations set forth under "*Transfer Restrictions*".

European Economic Area

In relation to each Relevant Member State, each Dealer has represented, warranted and agreed, or will represent, warrant or agree, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the Relevant Implementation Date it has not made and will not make an offer of Bonds to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Bonds to the public in that Relevant Member State:

- (a) if the Final Terms in relation to the Bonds specify that an offer of those Bonds may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Bonds which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons other than qualified investors as defined in the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3(2) of the Prospectus Directive,

provided that no such offer of any Bonds referred to in paragraphs (a) to(d) . (inclusive) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplemental prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

United Kingdom

Each Dealer has severally represented, warranted and agreed, or will represent, warrant or agree and each further dealer appointed under the Programme will be required to represent, warrant and agree that:

- (a) ***No deposit-taking***: in relation to any Bonds having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

- (ii) it has not offered or sold and will not offer or sell any Bonds other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Bonds would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

- (b) **Financial Promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General Compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

Jersey

Each Dealer has severally represented to, and agreed with, or will represent to and agree with, the Issuer that it has not, directly or indirectly, offered or sold, or solicited an offer or invitation to purchase, and it will not offer or sell, or solicit an offer or invitation to purchase, any Bonds in Jersey, except in compliance with all applicable Jersey laws, orders and regulations.

General

Each Dealer acknowledges that other than having obtained the approval of the Prospectus by the UKLA in accordance with Part VI of the FSMA for the Bonds to be admitted to listing on the Official List of the UKLA and to trading on the Market or the Professional Securities Market of the London Stock Exchange and the obtaining of the consent of the Jersey registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of Bonds, or possession or distribution of the Prospectus or any other offering material, in any jurisdiction where action for that purpose is required. Each Dealer shall to the best of its knowledge and belief comply with all applicable laws and regulations in each jurisdiction in or from which it purchases, offers, sells or delivers Bonds or has in its possession or distributes the Prospectus or any other offering material, in all cases at its own expense unless agreed otherwise.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific country or jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) in the official interpretation, after the date of the Dealership Agreement, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Sub-Class of Bonds) or (in any other case) in a supplement to this Prospectus.

TRANSFER RESTRICTIONS

The Bonds have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction, and the Issuer has not registered and does not intend to register as an investment company under the United States Investment Company Act of 1940, as amended (the Investment Company Act). Accordingly, to ensure compliance with applicable laws, including the Securities Act and the Investment Company Act, transfers of the Bonds (or beneficial interests therein) will be subject to restrictions and to certification requirements as set forth below (as the same may be amended, supplemented or modified in respect of a particular Series pursuant to the relevant Final Terms).

Each purchaser (other than the Dealers) or transferee of any Bonds (or beneficial interest therein) will be deemed to have represented, warranted, acknowledged and agreed for the benefit of the Issuer and the Bond Trustee as follows:

1. In connection with the purchase of the Bonds: (a) none of the Issuer, the Arranger, the Dealers, the Bond Trustee, or any affiliate thereof or any person acting on behalf of the foregoing, is acting as a fiduciary or financial or investment adviser for the purchaser; (b) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer, the Arranger or the Dealers or any affiliate thereof, the Bond Trustee, or any person acting on behalf of the foregoing, other than in the Final Terms and the Prospectus and any representations expressly set forth in a written agreement with such party; (c) none of the Issuer, the Arranger or the Dealers or any affiliate thereof, the Bond Trustee, or any person acting on behalf of the foregoing, has given to the purchaser (directly or indirectly through any other person) any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Bonds; (d) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Bond Trust Deed) based upon its own judgement and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Issuer, the Arranger or the Dealers or any affiliate thereof, the Bond Trustee, or any person acting on behalf of the foregoing; (e) the purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Bonds with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; (f) the purchaser is a sophisticated investor; and (g) the purchaser understands that these acknowledgements, representations, and agreements are required in connection with U.S. securities laws and it agrees to indemnify and hold harmless the Issuer, the Arranger, the Dealers, the Bond Trustee and any affiliates thereof from and against all losses, liabilities, claims, costs, charges and expenses which they may incur by reason of its failure to fulfil any of the terms, conditions or agreements set forth above or by reason of any breach of its representations and warranties herein.
2. It is, and the person, if any, for whose account it is acquiring the Bonds is, located outside the United States and is neither a U.S. person nor a U.S. resident and is purchasing for its own account or one or more accounts, each of which is neither a U.S. person nor a U.S. resident and as to each of which the purchaser exercises sole investment discretion, in an offshore transaction in accordance with Regulation S, and is aware that the sale of the Bonds to it is being made in reliance on the exemption from registration provided by Regulation S and that if it should resell or otherwise transfer the Bonds prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the Issue Date), it will do so only: (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A; and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that

the Bonds represented by a Regulation S Global Bond will bear a legend as set out below unless otherwise agreed to by the Issuer.

3. It understands that unless the Issuer determines otherwise in compliance with applicable law, such Bonds will bear a legend as follows:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE ISSUE DATE, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE (I) PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (II) TO "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO, RULE 144A UNDER THE SECURITIES ACT.

EXCEPT AS OTHERWISE PROVIDED IN THE APPLICABLE FINAL TERMS, BY ITS PURCHASE AND HOLDING OF THIS BOND (OR ANY INTEREST THEREIN) EACH PURCHASER AND HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (1) IT IS NOT AN "EMPLOYEE BENEFIT PLAN" AS DESCRIBED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME ACT OF 1974, AS AMENDED (ERISA) AND SUBJECT TO TITLE I OF ERISA, OR A "PLAN" SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE CODE), OR AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN, OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (SIMILAR LAW), OR (2) ITS PURCHASE, HOLDING AND DISPOSITION OF THIS BOND DOES NOT AND WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY SUCH SUBSTANTIALLY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE."

4. It further understands that unless the Issuer determines otherwise in compliance with applicable law, such Bonds will bear a legend as follows:

"ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

5. It understands that the Bonds have not been and will not be registered under the Securities Act and that the Issuer has not registered and will not register under the Investment Company Act. It agrees, for the benefit of the Issuer and the Bond Trustee that, if it decides to resell, pledge or otherwise transfer such Bonds (or any beneficial interest or participation therein) purchased by it, unless otherwise specified in the relevant Final Terms, any offer, sale or transfer of such Bonds (or any beneficial interest therein) will be made in compliance with the Securities Act and only: (i) within

the United States, or to or for the account of a U.S. person (as defined in Regulation S under the Securities Act) or a U.S. resident (as determined for purposes of the Investment Company Act), to a QP whom the seller reasonably believes is a QIB purchasing for its own account or for the account of one of more QIBs each of which is also a QP as to which the purchaser exercises sole investment discretion in a transaction meeting the requirements of Rule 144A; or (ii) outside the United States, to a person who is neither a U.S. person nor a U.S. resident in an offshore transaction (and not to or for the account or benefit of a U.S. person or a U.S. resident) complying with Rule 903 or Rule 904 of Regulation S; and in the case of (i) and (ii) above, in accordance with all applicable securities laws including the securities laws of any State of the United States.

6. With respect to such Bond (or beneficial interest therein), either: (a) such purchaser or transferee is not, and for so long as such Bond (or beneficial interest therein) is held will not be (i) an "employee benefit plan" as defined in section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a "plan" that is subject to section 4975 of the Code or (iii) any entity whose underlying assets include (or are deemed for the purposes of ERISA or Section 4975 to include) "plan assets" by reason of an ERISA plan; or (b) such purchaser's or transferee's purchase and holding of such Bond will not constitute or result in a prohibited transaction under section 406 of ERISA or section 4975 of the Code for which an exemption is not available. Any purported transfer of a Bond (or beneficial interest therein) to a purchaser that does not comply with the requirements of this paragraph 6 will be of no force and effect, will be void ab initio and the Issuer will have the right to direct the purchaser to transfer such Bond (or beneficial interest therein), as applicable, to a person who meets the foregoing criteria.
7. It understands that before any interest in a Global Bond may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Bond, the transferor and/or transferee, as applicable, will be required to provide the Registrar with a written certification substantially in the form set out in the Bond Trust Deed as to compliance with the transfer restrictions described herein.

GENERAL INFORMATION

Authorisation

The establishment of the Programme, the granting of the Issuer Security and the issue of Bonds thereunder were duly authorised by resolutions of the Board of Directors of the Issuer passed at a meeting of the Board held on 10 February 2011 and the update of the Programme was duly authorised by resolutions of the Board of Directors of the Issuer passed at a meeting of the Board held on 9 January 2012. The establishment of the Programme and the borrowings of the Borrower and the security provided by the Borrower in favour of the Borrower Security Trustee, the Issuer and the other Borrower Secured Creditors were duly authorised by resolutions of the Board of Directors of the Borrower at meetings of the Board held on 15 December 2010 and a committee of the Board held on 10 February 2011. The update of the Programme was duly authorised by resolutions of the Board of Directors of the Borrower passed at a meeting of the Board held on 21 December 2011 and a committee of the Board held on 9 January 2012. The establishment of the Programme and the provision of the guarantee by the Security Parent in favour of the Borrower Security Trustee, the Issuer and the other Borrower Secured Creditors were duly authorised by resolutions of the Board of Directors of the Security Parent at a meeting of the Board held on 10 February 2011 and the update of the Programme was duly authorised by resolutions of the Board of Directors of the Security Parent passed at a meeting of the Board held on 9 January 2012. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds.

Listing of Bonds

It is expected that each Sub-Class of Bonds which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Global Bond or Bonds initially representing the Bonds of such Sub-Class. The initial listing of the Programme in respect of Bonds was granted on 18 February 2011 and the listing of the updated Programme is expected to be granted on 17 January 2012.

However, Bonds may also be issued pursuant to the Programme which will not be listed on the Market or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

Documents Available

For so long as the Programme remains in effect or any Bonds shall be outstanding, copies of the following documents may (when published) be inspected during normal business hours (in the case of Bearer Bonds) at the specified office of the Principal Paying Agent, (in the case of Registered Bonds) at the specified office of the Registrar and the Transfer Agents and (in all cases) at the registered office of the Bond Trustee:

- (a) the Memorandum and Articles of Association of each of the Issuer, the Borrower and the Security Parent;
- (b) the audited financial statements of GAL for the 15 months ended 31 March 2010 and the year ended 31 March 2011;
- (c) the unaudited interim financial statements for GAL for the six months ended 30 September 2010 and 30 September 2011;
- (d) the unaudited consolidated interim financial statements for Security Parent for the six months ended 30 September 2011;

- (e) the report of PricewaterhouseCoopers LLP in respect of the audited financial statements of GAL for the period ended 31 March 2010 and the year ended 31 March 2011³;
- (f) a copy of this Prospectus;
- (g) each Final Terms relating to Bonds which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system (in the case of any Bonds which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Bondholders);
- (h) each Investor Report; and
- (i) the Issuer Transaction Documents (other than the Dealership Agreement) (as the same may be amended, varied, supplemented or novated from time to time), and the Transaction Documents.

Clearing Systems

The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg as specified in the relevant Final Terms. The appropriate Common Code and ISIN for each Sub-Class of Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Registered Bonds to be accepted for trading in book entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Bonds, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms. If the Bonds are to clear through an additional or alternative clearing system (including Sicovam) the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

Significant or Material Change

There has been neither a material adverse change in the financial position or prospects of the Issuer nor a significant change in the financial or trading position of the Issuer, in each case since the date of its incorporation on 21 January 2011.

There has been no significant change in the financial or trading position of the Borrower and its subsidiaries since 30 September 2011. There has been no material adverse change in the prospects of the Borrower and its subsidiaries since 31 March 2011, the date of the Borrower's last published audited financial statements.

There has been neither a material adverse change in the financial position or prospects of the Security Parent and its subsidiaries nor a significant change in the financial or trading position of the Security Parent and its subsidiaries, in each case since 30 September 2011, the date of the Security Parent's last published interim consolidated financial statements.

³ On 7 June 2010, GAL changed its year end from 31 December to 31 March in order to align GAL's financial and regulatory year ends. As a result, the financial statements of GAL were prepared for the 15 month period ended 31 March 2010.

Litigation

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) since the date of its incorporation which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer.

The Borrower and its subsidiaries are not and have not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Borrower is aware) within a period of 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Borrower and its subsidiaries.

The Security Parent and its subsidiaries are not and have not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Security Parent is aware) since the date of its incorporation which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Security Parent and its subsidiaries.

Availability of Financial Statements

The audited annual financial statements of the Issuer, the Borrower and the Security Parent will be prepared as of 31 March in each year, with the first set of accounts to be prepared by the Issuer and the Security Parent for the period ended 31 March 2012. The Issuer has not published and does not intend to publish any interim financial information, but the Borrower and the Security Parent provide semi-annual unaudited financial information to various parties under the terms of the Common Terms Agreement. The unaudited interim financial information of the Borrower will be prepared as of 30 September in each year. The Issuer has commenced operations, but no audited annual financial statements have been prepared by either of the Issuer or the Security Parent as of the date of this Prospectus as the initial period has not yet ended. All future audited annual financial statements (and any published interim financial information) of the Issuer, the Borrower and the Security Parent will be available free of charge in accordance with "*Documents Available*" above.

Auditors

The auditors of the Issuer are PricewaterhouseCoopers LLP, chartered accountants, of First Point, Buckingham Gate, Gatwick, West Sussex RH6 0NT.

The auditors of the Borrower are PricewaterhouseCoopers LLP, chartered accountants, of First Point, Buckingham Gate, Gatwick, West Sussex RH6 0NT, who have audited the Borrower's accounts, without qualification, in accordance with generally accepted auditing standards in the UK for each of the period ended on 31 March 2010 and the year ended 31 March 2011. The audited accounts include reports prepared by the auditors. PricewaterhouseCoopers LLP has no material interest in either the Issuer or the Borrower.

Legend

Bearer Bonds, Receipts, Talons and Coupons appertaining thereto will bear a legend substantially to the following effect: "**Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.**" The sections referred to in such legend provide that a United States person who holds a Bearer Bond, Coupon, Receipt or Talon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Bond, Coupon, Receipt or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Information in respect of the Bonds

The issue price and the amount of the relevant Bonds will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Bonds except for the Investor Report which will be prepared by the Borrower on a semi-annual basis and published on the designated website of GAL, being www.gatwickairport.com/investor and which will also be made available at the specified office of the Principal Paying Agent, (in the case of Registered Bonds) at the specified office of the Registrar and the Transfer Agents and (in all cases) at the registered office of the Bond Trustee. No reports in respect of the Borrower Loan Agreements and the Borrower Loans will be prepared.

Material Contracts

The Borrower has not entered into contracts outside the ordinary course of its business, which could result in the Borrower or any member of its group being under an obligation or entitlement that is material to the Borrower's ability to meet its obligation to the Issuer under the Borrower Loan Agreements.

Other Activities of the Dealers

The Dealers and their respective affiliates (i) have provided, and may in the future provide, investment banking, commercial lending, consulting and financial advisory services to, (ii) have entered into and may, in the future enter into, other related transactions with, and (iii) have made or assisted or advised any party to make, and may in the future make or assist or advise any party to make, acquisitions and investments in or related to, the Issuer or the Obligors and their respective subsidiaries and affiliates or other parties that may be involved in or related to the transactions contemplated in this Prospectus, in each case in the ordinary course of business or as Liquidity Facility Providers in respect of the Liquidity Facility made available to the Issuer and the Borrower under the Liquidity Facility Agreement. The Dealers and their respective affiliates may, in the future, act as Hedge Counterparties.

GLOSSARY

Principal terms used in this prospectus are defined as follows:

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| \$, U.S.\$, U.S. dollars and dollars | the lawful currency of the United States of America; |
| €, euro and Euro | the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time; |
| £, pounds and sterling | the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland; |
| 2010 PD Amending Directive | Directive 2010/73/EC; |
| 2011 Regulations | Airport Charges Regulations 2011, which came into force on 10 November 2011; |
| 30/360 | has the meaning given to it in Condition 5(i) (<i>Definitions</i>); |
| 30E/360 | has the meaning given to it in Condition 5(i) (<i>Definitions</i>); |
| 360/360 | has the meaning given to it in Condition 5(i) (<i>Definitions</i>); |
| A\$ | the lawful currency of Australia; |
| Accepted Restructuring Event | has the meaning given to it on page 86 of the Prospectus; |
| Accession Memorandum | (a) with respect to the STID, each memorandum to be entered into pursuant to clause 2 (<i>Accession</i>), clause 4 (<i>Accession of Additional Obligors</i>) or clause 30 (<i>Benefit of Deed</i>) (as applicable) of the STID and which is substantially in the form set out in schedule 1 (<i>Form of Accession Memorandum</i>) to the STID, and (b) with respect to the Common Terms Agreement, each memorandum to be entered into pursuant to clause 1.5 (<i>Obligors</i>) of the Common Terms Agreement and which is substantially in the form set out in schedule 10 (<i>Form of Accession Memorandum</i>) to the Common Terms Agreement; |
| Accountholder | each of the persons shown in the records of the Clearing Systems as being entitled to an interest in a Global Bond; |
| Accrual Yield | has the meaning given to it in the relevant Final Terms; |
| ACD | Airport Charges Directive; |

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| Actual/360 | has the meaning given to it in Condition 5(i) (<i>Definitions</i>); |
| Actual/365 | has the meaning given to it in Condition 5(i) (<i>Definitions</i>); |
| Actual/365 (Fixed) | has the meaning given to it in Condition 5(i) (<i>Definitions</i>); |
| Actual/Actual | has the meaning given to it in Condition 5(i) (<i>Definitions</i>); |
| Actual/Actual (ICMA) | has the meaning given to it in Condition 5(i) (<i>Definitions</i>); |
| Additional Borrower Secured Creditors | any person not already a Borrower Secured Creditor which becomes a Borrower Secured Creditor pursuant to the provisions of clause 2 (<i>Accession</i>) of the STID; |
| Additional Indebtedness Tests | for the purposes of the definition of Permitted Financial Indebtedness, in order to satisfy the Additional Indebtedness Tests to incur additional Senior Debt, the Senior RAR as at the date such Financial Indebtedness is to be incurred, by reference to the most recently delivered audited annual financial statements or unaudited semi-annual financial statements of the Security Group pursuant to Paragraph 1(a) or (b) (Financial Statements) of Part 1 (Information Covenants) of schedule 2 (Covenants) to the Common Terms Agreement or, if more recent, the latest management accounts of the Security Group, taking into account the proposed additional Financial Indebtedness, must be less than 0.70, except in the case of a drawing used to fund RAB-Eligible Capex under the Capex Facility, in which case the Senior RAR as at the date such Financial Indebtedness is to be incurred must be less than 0.725; |
| Additional SP Contributions | (a) any loan made by a Subordinated Intragroup Creditor to Security Parent and which will upon the making of such loan constitute a Subordinated Intragroup Liability and (b) the proceeds of any subscription for shares issued by Security Parent to its Holding Company; |
| Advance | the principal amount lent by the Issuer to the Borrower under a Borrower Loan Agreement in respect of bonds issued on the related Issue Date; |
| Affected Borrower Secured Creditor | each Borrower Secured Creditor (and where the Issuer is the relevant Affected Borrower Secured Creditor, each Issuer Secured Creditor (the Affected Issuer Secured Creditor)) who is affected by an Entrenched Right; |

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| Affiliate | a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company (other than in any Hedging Agreement when used in relation to a Hedge Counterparty, where Affiliate has the meaning given to it in that Hedging Agreement). Notwithstanding the foregoing, in relation to The Royal Bank of Scotland plc, the term Affiliate shall include The Royal Bank of Scotland N.V. and each of its subsidiaries or subsidiary undertakings, but shall not include (i) the UK government or any member or instrumentality thereof, including Her Majesty's Treasury and UK Financial Investments Limited (or any directors, officers, employees or entities thereof) or (ii) any persons or entities controlled by or under common control with the UK government or any member or instrumentality thereof (including Her Majesty's Treasury and UK Financial Investments Limited) and which are not part of The Royal Bank of Scotland Group plc and its subsidiaries or subsidiary undertakings; |
| Agency Agreement | the agreement dated on the Establishment Date between the Issuer and the Agents referred to therein under which, amongst other things, the Principal Paying Agent is appointed as issuing agent, principal paying agent and agent bank for the purposes of the Programme; |
| Agent | each of the Paying Agents, the Principal Paying Agent, the Transfer Agents, the Calculation Agent, the Agent Bank, the Registrar and the Exchange Agent or any other agent appointed by the Issuer pursuant to the Agency Agreement or a Calculation Agency Agreement and Agents means all of them; |
| Agent Bank | Deutsche Bank AG, London Branch (or any successor thereto) in its capacity as agent bank under the Agency Agreement; |
| Airport Charges Directive or ACD | Directive 2009/12/EC of 11 March 2009 on airport charges; |
| Airports Act | the Airports Act 1986 (as amended); |
| all of its rights | <ul style="list-style-type: none"> (a) the benefit of all covenants, undertakings, representations, warranties and indemnities; (b) all powers and remedies of enforcement and/or protection; (c) all rights to receive payment of all amounts assured or payable (or to become payable), all rights to serve notices and/or to make demands and all rights to take such steps as are required to cause payment to become due and payable; |

and

- (d) all causes and rights of action in respect of any breach and all rights to receive damages or obtain other relief in respect thereof,

in each case in respect of the relevant Issuer Charged Property;

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| Allowable Yield | maximum allowable yield per passenger; |
| Alternative Redemption Amount | the amount specified as such in the relevant Final Terms (if any); |
| Ancillary Facility | has the meaning given to it in clause 1.1 of the Initial Authorised Credit Facility Agreement; |
| Ancillary Lender | a Lender of an Ancillary Facility; |
| ANS | Air Navigation Services; |
| Applicable Accounting Principles | UK GAAP or IFRS (as applicable); |
| Appointee | any attorney, manager, agent, delegate, nominee, custodian or other person appointed by the Issuer Security Trustee under the Issuer Deed of Charge or by the Bond Trustee under the Bond Trust Deed; |
| AQMA | air quality management area; |
| Arranger | The Royal Bank of Scotland plc and any other entity appointed as an arranger for the Programme or in respect of any particular issue of Bonds under the Programme and references to the Arranger shall be references to the relevant Arranger; |
| Article 122a | Article 122a of the CRD, inserted by CRD2; |
| ATM | air transport movements; |
| ATOL | Air Travel Organisers Licensing; |
| Auditors | PricewaterhouseCoopers or such other firm of accountants of international standing as may be appointed by the Obligors in accordance with the Common Terms Agreement as the Auditors for the Obligors; |
| AusCID | the Australian Council for Infrastructure Development; |
| Authorised Credit Facility or ACF | any facility, agreement or finance lease entered into by the Borrower for Senior Debt or Junior Debt as permitted by the terms of the Common Terms Agreement the providers of which are parties to or have acceded to the STID and the Common Terms Agreement, and includes a Borrower Loan Agreement, |

the Initial Facilities, the Liquidity Facility and (a) any fee letter or commitment letter entered into in connection with the foregoing facilities or agreements or the transactions contemplated in the foregoing facilities and (b) any other document (not being a Common Document) that has been entered into in connection with the foregoing facilities or agreements or the transactions contemplated thereby that has been designated as a document that should be deemed to be an Authorised Credit Facility for the purposes of this definition by the parties thereto (including at least one Obligor);

Authorised Credit Provider

a lender or other provider of credit or financial accommodation under any Authorised Credit Facility;

Authorised Investments

- (a) securities issued by the government of the UK; or
- (b) demand or time deposits, certificates of deposit and short term unsecured debt obligations, including commercial paper, provided that the issuing entity or, if such investment is guaranteed, the guaranteeing entity, is rated at least the Minimum Short-term Rating; or
- (c) any other obligations, provided that in each case the relevant investment has at least the Minimum Short-term Rating and is either denominated in pounds sterling or (following the date on which the UK becomes a Participating Member State) euro or has been hedged in accordance with the Hedging Policy; or
- (d) any money market funds or equivalent investments which have a rating of at least AAA by S&P, AAA by Fitch and Aaa by Moody's.

For the avoidance of doubt, **Authorised Investments** shall not include:

- (i) any structured or asset-backed securities or instruments, including collateralised debt obligations, securities or instruments backed by mortgages, mortgage-related instruments, home equity loans, credit card receivables, automobile receivables, student loans or other securities or assets;
- (ii) any derivatives, hedging instruments, credit linked notes or similar instruments;
- (iii) any securities or instruments issued by any structured vehicle, including any structured

investment vehicle or limited purpose company generally formed for the purpose of undertaking arbitrage activities by purchasing mostly medium and long-term assets and funding itself with mostly short-term securities or instruments such as commercial paper and medium-term notes; or

- (iv) investments in any money market or liquidity funds that target investment in or hold any such securities or instruments referenced in paragraphs (i), (ii) or (iii) above;

Available Enforcement Proceeds on any date, all monies received or recovered by the Borrower Security Trustee (or any Receiver appointed by it) in respect of the Borrower Security and under the Guarantees not including (a) prior to the delivery of a Loan Acceleration Notice, amounts standing to the credit of any Borrower Liquidity Reserve Account, (b) amounts standing to the credit of the Borrower Hedge Collateral Accounts, (c) amounts standing to the credit of the Mandatory Standby Repayment Account, (d) Borrower Hedge Replacement Premium (if any), (e) the amount (if any) of any cash benefit in respect of a Tax Credit that has been received by the Borrower in respect of a Borrower Hedging Agreement that the Borrower is required to pay to a Borrower Hedge Counterparty under Section 2(d)(iii) of the relevant Borrower Hedging Agreement), which shall be paid to the relevant Borrower Hedge Counterparty in accordance with the relevant Borrower Hedging Agreements, and (e) amounts representing the GAL Interest standing to the credit of the Liquidity Standby Account;

Available Standby Amount an amount equal to the aggregate of all outstanding Standby Drawings less an amount equal to the aggregate of all withdrawals made by the Borrowers from the Liquidity Standby Account in respect of amounts funded by way of Standby Drawings;

Base Currency pounds sterling;

Base Index Figure the base index figure as specified in the relevant Final Terms (subject to Condition 6(c)(i) (*Change in base*));

Basel II framework the regulatory capital framework published by the Basel Committee in 2006;

Basel III the significant changes to the Basel II framework which have been approved by the Basel Committee;

Basel Committee the Basel Committee on Banking Supervision;

Basic Terms Modification has the meaning given thereto in Condition 14 (*Meetings of Bondholders, Modification, Waiver and*

Substitution);

Bearer Bonds

those Bonds which are in bearer form;

Bearer Definitive Bond

a Bearer Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and these presents in exchange for either a Temporary Bearer Global Bond or part thereof or a Permanent Bearer Global Bond (all as indicated in the applicable Final Terms), such Bearer Bond in definitive form being in the form or substantially in the form set out in part 3 (*Form of Bearer Definitive Bond*) of the schedule 2 (*Form of Bonds, Receipts, Coupons and Talons*) to the Bond Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and having the Conditions endorsed thereon or, if permitted by the relevant stock exchange, incorporating the Conditions by reference as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and (except in the case of a Zero Coupon Bond in bearer form) having Coupons and, where appropriate, Receipts and/or Talons attached thereto on issue;

Bearer Global Bond

a Temporary Bearer Global Bond and/or a Permanent Bearer Global Bond, as the context may require;

Bechtel

Bechtel Corporation;

Beneficial Owner

the ownership interest of each actual purchaser of each such Bond;

Better Regulation

the 22 principles derived from the Hampton Report – *Reducing administrative burdens: effective inspection and enforcement*, that are imposed on the CAA in order to improve its regulatory operations;

Bidco

Ivy Bidco Limited, a company incorporated in England and Wales under company number 06879093;

Bill

the proposed Airport Economic Regulation Bill;

Bond Basis

has the meaning given to it in Condition 5(i) (*Definitions*);

Bond Enforcement Notice

a notice delivered by the Bond Trustee to the Issuer in accordance with Condition 10(b) (*Delivery of Bond Enforcement Notice*) which declares the bonds to be immediately due and payable;

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| Bond Event of Default | the events of default in respect of the Bonds set out in Condition 10 (<i>Bond Events of Default</i>) following which the Bonds can be declared immediately due and payable; |
| Bond Relevant Date | in respect of any Class, Sub-Class or Tranche of the Bonds, the earlier of (a) the date on which all amounts in respect of the Bonds have been paid, and (b) five days after the date on which all of the Principal Amount Outstanding (adjusted in the case of Indexed Bonds in accordance with Condition 6(b) (<i>Application of the Index Ratio</i>)) has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Bondholders in accordance with Condition 16 (<i>Notices</i>); |
| Bond Trust Deed | the bond trust deed dated on the date of the Common Terms Agreement between, the Issuer and the Bond Trustee under which Bonds will, on issue, be constituted and any deed supplemental thereto; |
| Bond Trustee | Deutsche Trustee Company Limited or any other or additional trustee appointed pursuant to the Bond Trust Deed, for and on behalf of the Bondholders, the Receiptholders and the Couponholders; |
| Bondholders | the several persons who are for the time being holders of the outstanding Bonds (being, in the case of Bearer Bonds, the bearers thereof and, in the case of Registered Bonds, the several persons whose names are entered in the register of holders of the Registered Bonds as the holders thereof) save that, in respect of the Bonds of any Class or Sub-Class, for so long as such Bonds or any part thereof are represented by a Global Bond deposited with a common depositary (in the case of a CGB) or common safekeeper (in the case of a NGB or a Registered Global Bond held under the NSS) for Euroclear and Clearstream, Luxembourg or so long as DTC or its nominee is the registered holder of a Registered Global Bond, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear, and Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg) or, as the case may be, DTC as the holder of a particular nominal amount of the Bonds of such Class or Sub-Class shall be deemed to be the holder of such principal amount of such Bonds (and the holder of the relevant Global Bond shall be deemed not to be the holder) for all purposes of the Bond Trust Deed and the Conditions other than with respect to the payment of principal or interest on such nominal amount of such Bonds and, in the case of DTC or its nominee, voting, giving consents |

and making requests pursuant to the Bond Trust Deed and the Conditions, the rights to which shall be vested, as against the Issuer and the Bond Trustee, solely in such common depository, common safekeeper or, as the case may be, DTC or its nominee and for which purpose such common depository, common safekeeper or, as the case may be, DTC or its nominee shall be deemed to be the holder of such nominal amount of such Bonds in accordance with and subject to its terms and the provisions of the Bond Trust Deed and the Conditions; and the expressions **Bondholder**, **holder** and **holder of the Bonds** and related expressions shall (where appropriate) be construed accordingly;

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| Bonds | the Class A Bonds and/or the Class B Bonds, as the context may require and Bond shall be construed accordingly; |
| Borrower | Gatwick Airport Limited and any entity which accedes to the Common Terms Agreement and the STID as a Borrower; |
| Borrower Accounts | the Operating Accounts together with any other account of the Borrower that may be opened from time to time (including any Borrower Hedge Collateral Accounts, the Mandatory Standby Repayment Account and any Borrower Liquidity Reserve Account but excluding any Liquidity Standby Account) pursuant to and/or in accordance with any Transaction Document and includes any sub-account or sub-accounts relating to that account and any replacement account from time to time (each a Borrower Account); |
| Borrower Account Bank | The Royal Bank of Scotland plc or any successor account bank appointed pursuant to the Borrower Account Bank Agreement; |
| Borrower Account Bank Agreement | the account bank agreement dated on the Establishment Date between the Borrower, the Borrower Account Bank and the Borrower Security Trustee; |
| Borrower Excess Hedge Collateral | an amount equal to the value of the collateral (or the applicable part of any collateral) provided by any Borrower Hedge Counterparty to the Borrower in respect of the relevant Borrower Hedge Counterparty's obligations to transfer collateral to the Borrower under the relevant Borrower Hedging Agreement (as a result of the ratings downgrade provisions in that Borrower Hedging Agreement), which is in excess of that Borrower Hedge Counterparty's liability to that Borrower under the relevant Borrower Hedging Agreement, or which the relevant Borrower Hedge Counterparty is otherwise entitled to have returned to it under the terms of the relevant Borrower Hedging Agreement; |

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| Borrower Group | the Security Parent, the Borrower and any Subsidiary of any member of the Security Group (other than the Issuer); |
| Borrower Hedge Collateral Account | each account in the name of the Borrower titled "Borrower Hedge Collateral Account" opened at the Borrower Account Bank in accordance with the provisions of the Common Terms Agreement and the Borrower Account Bank Agreement and includes any sub-account or any securities account or any other custody account relating to that account and any replacement account from time to time; |
| Borrower Hedge Counterparty | a Hedge Counterparty who is a party to a Borrower Hedging Agreement (together, the Borrower Hedge Counterparties); |
| Borrower Hedge Replacement Premium | a premium or upfront payment received by the Borrower from a replacement hedge counterparty under a replacement hedge agreement entered into with the Borrower to the extent of any termination payment due to a Borrower Hedge Counterparty under a Borrower Hedging Agreement; |
| Borrower Hedging Agreement | a Hedging Agreement entered into by the Borrower with a Borrower Hedge Counterparty; |
| Borrower Liquidity Reserve Account | an account opened in the name of the Borrower and maintained by the Borrower Account Bank pursuant to the terms of the Borrower Account Bank Agreement and credited with a cash reserve for the purpose of satisfying the minimum debt service funding requirements set out in paragraph 3.3 of part 3 (<i>Trigger Event Remedies</i>) of schedule 3 (<i>Trigger Event</i>) to the Common Terms Agreement or such other account as may be opened, with the consent of the Borrower Security Trustee, at any branch of the Borrower Account Bank in replacement of such account; |
| Borrower Loan | the principal amount of all advances from time to time outstanding under any Borrower Loan Agreement; |
| Borrower Loan Agreement(s) | any loan agreement entered into between the Issuer and the Borrower; |
| Borrower Post-Enforcement (Post-Acceleration) Priority of Payments | the provisions relating to the order of priority of payments in respect of Senior Debt, Junior Debt and Second Lien Debt following the delivery of a Loan Acceleration Notice as set out in part 2 of schedule 2 (<i>Borrower Post-Enforcement Priority of Payments</i>) to the STID; |
| Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments | the provisions relating to the order of priority of payments in respect of Senior Debt, Junior Debt and Second Lien Debt following the delivery of a Loan |

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| | Enforcement Notice but prior to the delivery of a Loan Acceleration Notice as set out in part 2 of schedule 2 to the STID; |
| Borrower Post-Enforcement Priorities of Payments | the Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments and the Borrower Post-Enforcement (Post-Acceleration) Priority of Payments and Borrower Post-Enforcement Priority of Payments means any of them, as the context requires; |
| Borrower Pre-Enforcement Priorities of Payments | the provisions relating to the order of priority of payments from the Operating Accounts set out in schedule 8 (<i>Borrower Cash Management</i>) to the Common Terms Agreement; |
| Borrower Secured Creditor(s) | the Borrower Security Trustee (in its own capacity and on behalf of the other Borrower Secured Creditors), the Issuer, each Hedge Counterparty under each Borrower Hedging Agreement, each Liquidity Facility Provider and the Liquidity Facility Agent (in respect of the GAL Proportion), each other Authorised Credit Provider, the Borrower Account Bank, any Permitted Secured Guarantee Beneficiaries, any Second Lien Creditor and any Additional Borrower Secured Creditors; |
| Borrower Secured Liabilities | 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 any Borrower Secured Creditor under each Finance Document to which such Obligor is a party except for any obligation which, if it were secured under the Borrower Security Agreement, would result in a contravention of Sections 678 and 679 of the Companies Act 2006; |
| Borrower Security | the security constituted by the Security Documents including any guarantee or obligation to provide cash collateral or further assurance thereunder; |
| Borrower Security Agreement | the deed of charge and guarantee executed in favour of the Borrower Security Trustee by each of the Obligors on the Establishment Date and any other deed of charge supplemental thereto; |
| Borrower Security Trustee | Deutsche Trustee Company Limited or any successor appointed pursuant to the STID; |
| Borrower Subordinated Hedge Amounts | any termination payment due or overdue to a Borrower Hedge Counterparty under any Borrower Hedging Agreement which arises as a result of the occurrence of an Event of Default (as defined in the relevant Hedging Agreement) where the relevant Borrower Hedge Counterparty is the Defaulting Party (as defined in the relevant Borrower Hedging Agreement) or the occurrence of an Additional Termination Event (as |

defined in the relevant Borrower Hedging Agreement) following the failure of the relevant Borrower Hedge Counterparty to take action in accordance with the terms of the relevant Borrower Hedging Agreement within the required period following a credit rating downgrade of such Borrower Hedge Counterparty (other than any amount attributable to the return of collateral or any premium or other upfront payment paid to the relevant Borrower to enter into a transaction to replace a Borrower Hedging Agreement (in whole or in part) which shall be paid directly to the Borrower Hedge Counterparties and not in accordance with the Borrower Post-Enforcement Priorities of Payments);

BSC Instruction Notice

the notice which may be given by any Qualifying Borrower Secured Creditor or Qualifying Borrower Secured Creditors which in aggregate represent at least 10% of the total Outstanding Principal Amount of all Qualifying Borrower Debt (and for this purpose the provisions of Clause 11.2 (Voting of Bonds by Bondholders) of the STID shall be deemed to apply, *mutatis mutandis*) to the Borrower Security Trustee under the Common Documents (save in respect of the taking of Enforcement Action or the delivery of a Loan Enforcement Notice or a Loan Acceleration Notice) and the following additional rights:

- (a) to appoint a person specified by such Qualifying Borrower Secured Creditor(s) to investigate the calculations contained in any Compliance Certificate or accompanying statement and to call for other substantiating evidence if such Qualifying Borrower Secured Creditor certifies in the BSC Instruction Notice that it has reason to believe that the historical or forward-looking ratios or, with respect to any Compliance Certificate, confirmation of compliance with the financial ratios set out in the statement are incorrect or misleading in accordance with schedule 2, part 1 (Information Covenants), paragraph 2.1 (Compliance Certificate) of the Common Terms Agreement (save for any calculation which has been the subject of a recalculation in accordance with schedule 2, part 1 (Information Covenants), paragraph 2.1(b) (Compliance Certificate) of the Common Terms Agreement); and
- (b) following delivery of a Loan Enforcement Notice but prior to delivery of a Loan Acceleration Notice to instruct the Borrower Security Trustee to send a Further Enforcement Instruction Notice in accordance with Clause 18.2 (Enforcement Instruction Notices) of the STID;

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| Bund Rate | with respect to any Reference Date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price on such date of determination; |
| Business Day | <p>(a) in relation to any sum payable in sterling, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in London, and in respect of the Bonds, in each (if any) additional city or cities specified in the relevant Final Terms; and</p> <p>(b) in relation to any sum payable in a currency other than sterling, a day on which commercial banks and foreign exchange markets settle payments generally in London, and in the principal financial centre of the Relevant Currency (which in the case of a payment in US dollars shall be New York) and in each (if any) additional city or cities specified in the relevant Final Terms,</p> <p>provided that when it is used in relation to any Hedging Agreement, Business Day has the meaning given to it in that Hedging Agreement;</p> |
| Business Day Convention | has the meaning given to it in Condition 5(b) (<i>Business Day Convention</i>); |
| CAA or Civil Aviation Authority | the UK Civil Aviation Authority established under section 2 of the Civil Aviation Act 1982 or any other replacement governmental authority; |
| Calculation Agency Agreement | in relation to the Bonds of any Series, means an agreement in or substantially in the form of schedule 1 (<i>Form of Calculation Agency Agreement</i>) to the Agency Agreement; |
| Calculation Agent | in relation to any Series of Bonds, the person appointed as calculation agent in relation to the Bonds by the Issuer pursuant to the provisions of a Calculation Agency Agreement (or any other agreement) and shall include any successor calculation agent appointed in respect of the Bonds; |
| Calculation Amount | the amount specified as such in the relevant Final Terms; |
| Calculation Date | (other than in any Hedging Agreement where Calculation Date has the meaning given to it in that Hedging Agreement) 31 March and 30 September (and |

at the option of an Obligor, if an Obligor wishes to make distributions on an Issue Date or on a quarterly basis in any quarter ending in June or December, each Issue Date, 30 June or 31 December (as applicable)) in each year starting on 31 March 2011 or any other date as may be agreed as a result of a change in the financial year end or regulatory year end date of the Obligor;

Calculation Period

has the meaning given to it in Condition 5(i) (*Definitions*);

Call Protected Floating Rate Bonds

any Floating Rate Bonds, the Final Terms in respect of which, at the proposed date of redemption, would oblige the Issuer to pay a premium to par upon the optional early redemption of such Floating Rate Bonds;

CalPERS

the California Public Employees' Retirement System;

Capex Facility

the term loan facility made available under the Initial Authorised Credit Facility Agreement and any replacement capex facility;

Capex Facility Loan

a loan made or to be made under the Capex Facility or the principal amount outstanding for the time being of that loan;

Capex Independent LC Arrangements

an arrangement whereby (and limited to) a financial institution (the **Issuing Financial Institution**) provides a letter of credit, bond or bank guarantee at the request of the Borrower in circumstances where:

(a) that letter of credit, bond or bank guarantee (the **Capex Independent LC**) is issued solely to support the obligations of the Borrower in respect of RAB-Eligible Capex (the **LC Supported RAB-Eligible Capex**);

(b) the liabilities of the Issuing Financial Institution under such Capex Independent LC (whether actual or contingent, present or future) are counter-indemnified in full by the Borrower;

(c) the Borrower's liabilities (whether actual or contingent, present or future) under its counter-indemnity referred to in paragraph (b) above (the **Capex Independent LC Liabilities**) are secured in full by the provision by the Borrower of a cash collateral arrangement whereby the Borrower has paid a cash amount equal to the Capex Independent LC Liabilities into an interest-bearing account (the **Capex Independent LC Account**) in the name of the Borrower and the following conditions are met:

(i) the Capex Independent LC Account is with the Issuing Financial Institution;

(ii) subject to paragraph (iv) below, withdrawals from the Capex Independent LC Account may only be made:

(A) to pay the Issuing Financial Institution amounts due and payable to it in respect of the relevant Capex Independent LC Liabilities; and

(B) to fund or refinance the payment of the relevant LC Supported RAB-Eligible Capex,

provided that, in each case, the maximum amount which may be withdrawn from a Capex Independent LC Account is the amount which would not result in the amount standing to the credit of the relevant Capex Independent LC Account at any time being less than the relevant Capex Independent LC Liabilities at that time;

(iii) if, at any time, the LC Supported RAB-Eligible Capex liabilities reduce or are released, the relevant Capex Independent LC will be cancelled to that extent and the amount outstanding thereunder will be reduced in an equivalent amount;

(iv) if a Capex Independent LC is reduced pursuant to paragraph (iii) above or is otherwise reduced or expires (other than as a result of a call on the relevant Capex Independent LC), the excess cash collateral standing to the credit of the relevant Capex Independent LC Account will be either:

(A) applied in prepayment of the Capex Facility in accordance with Clause 9.4 of the Initial Authorised Credit Facility Agreement; or

(B) used for:

I. funding RAB-Eligible Capex;
or

II. refinancing RAB-Eligible Capex (other than RAB-Eligible Capex which is or had been supported by any Capex Independent LC Arrangements)

or refinancing Capital Expenditure made by the Group which, when made, was not RAB-Eligible Capex but which has subsequently qualified as RAB-Eligible Capex and, in each case, was incurred in the previous Relevant Period or the current Relevant Period,

provided that, prior to the withdrawal, the Borrower certifies that this is the case;

(v) the Borrower has executed a security document over that account, in form and substance satisfactory to the Issuing Financial Institution and the Initial ACF Agent, creating a first ranking security interest over that account in favour of the Issuing Financial Institution; and

(d) the amount required to fund the cash collateral arrangement described in paragraph (c) above is funded in full from the proceeds of a Capex Facility Loan;

Capital Expenditure or Capex

any investment expenditure (net of associated grants and contributions) incurred (or, in respect of any future period, forecast to be incurred) relating to maintaining base service levels or increases in capacity or enhancement of service levels, quality or security;

Carpark Asset Value

£20,770,000;

Cashflow from Operations

for the purposes of the Common Terms Agreement, the amount of cash flow from operations, including dividends received by any Obligor from any Subsidiary which is not an Obligor, but excluding interest paid, interest received and taxes on income paid as provided in the cash flow statements delivered pursuant to the Common Terms Agreement subject to certain adjustments and limitations provided by paragraph 9 (*Acquisitions, Investments and Joint Ventures*) of part 2 (*Covenants*) of schedule 2 (*Operating and Financial Covenants of the Obligors*) to the Common Terms Agreement;

CAT

Competition Appeal Tribunal;

CC

the Competition Commission;

CGB

a Temporary Bearer Global Bond in the form set out in part 1 of the schedule 2 to the Bond Trust Deed or a Permanent Bearer Global Bond in the form set out in part 2 of the schedule 2 to the Bond Trust Deed, in

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| | either case where the applicable Final Terms specify that the Bonds are in CGB form; |
| Class | each class of Bonds, the available Classes of Bonds at the Issue Date being Class A Bonds and Class B Bonds; |
| Class A Bonds | the Class A Bonds of which these may be further divided into Sub-Classes; |
| Class A Coupons | the Coupons of a series designated as such (or a Sub-Class of such) in the applicable prospectus supplement; |
| Class A Receipts | the Receipts of a series designated as such (or a Sub-Class of such) in the applicable prospectus supplement; |
| Class A Talons | the Talons of a series designated as such (or a Sub-Class of such) in the applicable prospectus supplement; |
| Class B Bonds | the Class B Bonds of which these may be further divided into Sub-Classes; |
| Class B Coupons | the Coupons of a series designated as such (or a Sub-Class of such) in the applicable prospectus supplement; |
| Class B Receipts | the Receipts of a series designated as such (or a Sub-Class of such) in the applicable prospectus supplement; |
| Class B Talons | the Talons of a series designated as such (or a Sub-Class of such) in the applicable prospectus supplement; |
| Clearing Systems | each of DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system; |
| Clearstream, Luxembourg | Clearstream Banking, société anonyme; |
| Code | the U.S. Internal Revenue Code of 1986, as amended; |
| Commission | the Jersey Financial Services Commission; |
| Commitment | in relation to a Liquidity Facility Provider at any time and save as otherwise provided in the Liquidity Facility Agreement, the amount specified opposite its name in schedule 1 (<i>The Liquidity Facility Providers</i>) to the Liquidity Facility Agreement or in the LF Transfer Certificate pursuant to which such Liquidity Facility Provider became a party to the Liquidity Facility Agreement, to the extent not cancelled, reduced or transferred by it under the Liquidity Facility Agreement; |
| Common Depository | a common depository for Euroclear and Clearstream, Luxembourg to whom the Global Bonds (not intended to be issued in NGN form) are to be delivered; |
| Common Documents | the Security Documents, the Common Terms Agreement, the Master Definitions Agreement, the STID, the Borrower Account Bank Agreement and the |

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| | Tax Deed; |
| Common Safekeeper | a common depository for Euroclear and Clearstream, Luxembourg to whom the Global Bonds (intended to be issued in NGN form or under the New Safekeeping Structure) are to be delivered; |
| Common Terms Agreement or CTA | the common terms agreement entered into on the Establishment Date between, among others, the Obligors, the Issuer and the Borrower Security Trustee; |
| Companies Act | the Companies Act 2006 (as amended); |
| Comparable German Bund Issue | the German Bundesanleihe security specified in the relevant Final Terms or, if no such security is specified or the specified security is no longer in issue, the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such Reference Date to the Scheduled Redemption Date and that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then Principal Amount Outstanding of the Bonds and of a maturity most nearly equal to the Scheduled Redemption Date provided, however, that if the period from such Redemption Date to the Scheduled Redemption Date is less than one year, a fixed maturity of one year shall be used; |
| Comparable German Bund Price | with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations or, if the Financial Adviser obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations; |
| Compliance Certificate | a certificate, substantially in the form of schedule 6 (<i>Form of Compliance Certificate</i>) to the Common Terms Agreement in which the Borrower periodically provides certain financial information and statements to the Borrower Security Trustee and the Rating Agencies as required by the Common Terms Agreement; |
| Conditions | the terms and conditions of the Bonds set out in the Bond Trust Deed, as may from time to time be amended, modified, varied or supplemented in the manner permitted under the Bond Trust Deed; |
| Consultation Document | the paper produced by the CAA dated 7 February 2011 and entitled "A consultation on extending by one year the current price regulation at Heathrow and Gatwick |

Airports" setting out a potential extension of the current price control period by one year to 31 March 2014;

Control

control as defined in the Companies Act, including the meaning given to the term "Companies Acts" in section 2 of the Companies Act, with the addition of the words "to the extent that they are in force" at the end of Section 2(1)(a) and any regulations made pursuant to those Acts to the extent that they are in force;

Coupon

an interest coupon appertaining to a Definitive Bond, such coupon being:

- (a) if appertaining to a Fixed Rate Bond, a Floating Rate Bond or an Indexed Bond, in the form or substantially in the form set out in part 5 (*Form of Coupon*) of schedule 2 (*Forms of Global and Definitive Bonds, Receipts, Coupons and Talons*) to the Bond Trust Deed or in such other form, having regard to the terms of issue of the Bonds of the relevant Sub-Class, as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s); or
- (b) if appertaining to a Definitive Bond which is neither a Fixed Rate Bond nor a Floating Rate Bond nor an Indexed Bond, in such form as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s),

and includes, where applicable, the Talon(s) appertaining thereto and any replacements for Coupons and Talons issued pursuant to Condition 13 (*Replacement of Bonds, Coupons, Receipts and Talons*);

Couponholders

the several persons who are, for the time being, holders of the Coupons and includes, where applicable, the Talonholders;

Covenantor

the Holding Companies, Security Parent and the Borrower and **Covenantor** means any of them;

CP Agreement

the conditions precedent agreement entered into on the Establishment Date between, among others, the Initial ACF Agent, the Liquidity Facility Agent, the Bond Trustee, the Borrower Security Trustee, the Issuer Security Trustee, the Agents, the Arranger, the Dealers, the Issuer, the Issuer Cash Manager, the Hedge Counterparties and the Obligor;

CPI

Consumer Prices Index;

CRA Regulation

Regulation (EU) No 1060/2009;

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| CRD | EU Capital Requirements Directive (Directive 2006/48/EC and Directive 2006/49/EEU, in each case as amended, including by CRD2); |
| CRD2 | Directive 2009/111/EC, amending the CRD; |
| Cross Currency Hedge Counterparties | (a) the Issuer Hedge Counterparties which are party to a Cross Currency Hedging Agreement and which are party to the STID and (b) any counterparty to a Cross Currency Hedging Agreement which is or becomes party to the STID in accordance with the STID and Cross Currency Hedge Counterparty means any of such parties; |
| Cross Currency Hedging Agreement | any Hedging Agreement in respect of a Treasury Transaction which is a currency swap or exchange transaction; |
| CSP | Continuity of Service Plan; |
| date for payment | the date on which the publication of the Index Figure is due; |
| Day Count Fraction | has the meaning given to it in Condition 5(i) (<i>Definitions</i>)); |
| Dealers | each of Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, J.P. Morgan Securities Ltd., The Royal Bank of Scotland plc (including The Royal Bank of Scotland plc in its capacity as Arranger), Société Générale and any New Dealer (as defined in the Dealership Agreement) appointed in accordance with clause 11 of the Dealership Agreement and excludes any entity whose appointment has been terminated pursuant to clause 10 of the Dealership Agreement and references in the Dealership Agreement to the relevant Dealer shall, in relation to any Bond, be references to the Dealer or Dealers with whom the Issuer has agreed the initial issue and purchase of such Bond; |
| Dealership Agreement | the agreement dated on the Establishment Date between the Issuer, the Obligors and the Dealers named therein (or deemed named therein) concerning the purchase of Bonds to be issued pursuant to the Programme together with any agreement for the time being in force amending, replacing, novating or modifying such agreement and any accession letters and/or agreements supplemental thereto; |
| Decision Document | the document entitled "Reforming the Framework for the Economic Regulation of Airports: Decision Document"; |
| Decision Period | the period of time within which the approval of the Borrower Security Trustee is sought as specified in |

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| | relation to each type of voting matter in the STID; |
| Default | (a) a Loan Event of Default; or (b) a Potential Loan Event of Default; |
| Definitive Bond | a Bearer Definitive Bond and/or, as the context may require, a Registered Definitive Bond; |
| Designated Maturity | has the meaning given to it in the ISDA Definitions; |
| Designated Website | an electronic website designated by the Obligors through which they can distribute information under the Common Terms Agreement in accordance with part 1 of schedule 1 of the Common Terms Agreement; |
| Determination Date | the date specified as such in the Conditions or, if none is so specified, the Interest Payment Date; |
| Determination Period | the period from and including a Determination Date in any year to but excluding the next Determination Date; |
| DfT | the Department for Transportation; |
| Direction Notice | a notice given by the Borrower Security Trustee requesting directions as to Enforcement Action pursuant to clause 18.7 (<i>Enforcement Action</i>) of the STID; |
| Directive | EC Council Directive 2003/48/EC; |
| Direct Participants | Investors that are accountholders and hold their interests in Global Bonds directly through Euroclear or Clearstream, Luxembourg; |
| Discretion Matter | a matter in which the Borrower Security Trustee may exercise its discretion to approve any request made in a STID Proposal without any requirement to seek the approval of any Borrower Secured Creditor or any of their representatives; |
| Distressed Disposal | a disposal of an asset of a member of the Security Group which is: <ul style="list-style-type: none"> (a) being effected at the request of the Secured Creditor Representative of the relevant Borrower Secured Creditors in circumstances where the Borrower Security has become enforceable; (b) being effected by enforcement of the Borrower Security; or (c) being effected, after the occurrence of an Enforcement Action, by an Obligor to a person or persons outside of the Security Group; |

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| Distribution Compliance Period | has the meaning given to that term in Regulation S under the Securities Act; |
| Draft Bill | the draft Civil Aviation Bill 2011 published by the Secretary of State on 23 November 2011; |
| Drawdown Prospectus | a separate prospectus specific to a supplemental issue; |
| Drawing | a Liquidity Loan Drawing or a Standby Drawing (as applicable); |
| DTC | the Depository Trust Company; |
| Dual Currency Bond | a Dual Currency Interest Bond and/or a Dual Currency Redemption Bond, as applicable; |
| Dual Currency Interest Bond | a Bond in respect of which payments of interest are made or to be made in such different currencies, and at rates of exchange calculated upon such basis, as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms); |
| Dual Currency Redemption Bond | a Bond in respect of which payments of principal are made or to be made in such different currencies, and at rates of exchange calculated upon such basis, as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms); |
| EBITDA | earnings before interest, taxes, depreciation and amortisation; |
| Enforcement Action | any step (other than a Permitted Hedge Termination) that a Borrower Secured Creditor is entitled to take to enforce its rights against an Obligor under a Finance Document following the occurrence of a Loan Event of Default including the declaration of a Loan Event of Default, the institution of proceedings, the making of a demand for payment under a guarantee, the making of a demand for cash collateral under a guarantee or the acceleration of Borrower Secured Liabilities by a Borrower Secured Creditor or Borrower Secured Creditors pursuant to the terms of the applicable Finance Documents or the enforcement of the Borrower Security; |
| Enforcement Instruction Notice | a notice from the Borrower Security Trustee requesting an instruction from the Qualifying Borrower Secured Creditors (through their Secured Creditor Representatives), at any time at which the Borrower Security Trustee has actual notice of the occurrence of a Loan Event of Default under the Common Terms Agreement, as to whether the Borrower Security Trustee should (i) deliver a Loan Enforcement Notice to enforce all or any part of the Borrower Security and/or (ii) deliver a Loan Acceleration Notice to accelerate all of |

the obligations secured under the Borrower Security;

Entrenched Rights

any modification to, consent or waiver under or in respect of, any term of any Common Document if the proposed modification, consent or waiver:

- (a) would delay the date fixed for payment of principal, interest or Make-Whole Amount in respect of the relevant Borrower Secured Creditor's debt or would reduce the amount of principal, the rate of interest or the Make-Whole Amount (if any) payable in respect of such debt;
- (b) would bring forward the date fixed for payment of principal, interest or Make-Whole Amount in respect of a Borrower Secured Creditor's debt or would increase the amount of principal, the rate of interest or the Make-Whole Amount (if any) payable on any date in respect of the Borrower Secured Creditor's debt;
- (c) would have the effect of adversely changing any of the Borrower Post-Enforcement Priorities of Payments or application thereof in respect of a Borrower Secured Creditor (including, in the case of the Issuer, any Issuer Secured Creditor that would be adversely affected by such change);
- (d) would have the effect of adversely changing any of the Borrower Pre-Enforcement Priorities of Payments or application thereof in respect of a Borrower Secured Creditor (including, in the case of the Issuer, any Issuer Secured Creditor that would be adversely affected by such change);
- (e) would change or would have the effect of changing (i) any of the following definitions: Affected Borrower Secured Creditor, Qualifying Borrower Debt, Qualifying Borrower Secured Creditors, Qualifying Borrower Senior Debt, Qualifying Borrower Junior Debt, STID Proposal, Discretion Matter, Ordinary Voting Matter, Extraordinary Voting Matter, Voted Qualifying Debt, Reserved Matter, Entrenched Right, Borrower Secured Liabilities, Distressed Disposal; (ii) the Decision Period, Quorum Requirement or voting majority required in respect of any Ordinary Voting Matter, Extraordinary Voting Matter, Enforcement Instruction Notice or Further Enforcement Instruction Notice; (iii) any of the matters that give rise to Entrenched Rights under the STID or (iv) clause 16.1

(*Scope of Entrenched Rights*) of the STID;

- (f) would result in the exchange of the relevant Borrower Secured Creditor's debt for, or the conversion of such debt into, shares, bonds or other obligations of any other person;
- (g) would have the effect of changing or would relate to the currency of payment due under the relevant Borrower Secured Creditor's debt (other than due to the United Kingdom becoming one of the countries participating in the third stage of European economic and monetary union pursuant to the Treaty or otherwise participating in European economic and monetary union in a manner with similar effect to such third stage);
- (h) would have the effect of changing or would relate to the rights of the relevant debt provider to receive any sums owing to it for its own account in respect of fees, costs, charges, liabilities, taxes, damages, proceedings, claims and demands in relation to any Transaction Document to which it is a party;
- (i) would change or would relate to any existing obligation of an Obligor to gross up any payment in respect of the relevant Borrower Secured Creditor's debt in the event of the imposition of withholding taxes (including, in the case of the Issuer, any Issuer Secured Creditor that would be adversely affected by such change);
- (j) would change or have the effect of changing clause 10.3 (*Participating QBS Creditors*) of the STID;
- (k) would change or have the effect of changing schedule 3 (*Reserved Matters*) to the STID;
- (l) would change or have the effect of changing any trigger event or event of default in respect of financial covenants relating to the Class B Bonds set forth in the Final Terms of such Class B Bonds;
- (m) would release any of the Borrower Security (unless equivalent replacement security is taken at the same time) unless such release is permitted in accordance with the terms of the Common Documents;
- (n) in respect of each Hedge Counterparty (but in

respect of (v) below, each Cross Currency Hedge Counterparty only),

- (i) would change or would have the effect of changing any of the following definitions: Borrower Excess Hedge Collateral, Borrower Hedge Replacement Premium, Borrower Subordinated Hedge Amount, Issuer Excess Hedge Collateral, Issuer Hedge Replacement Premium, Issuer Subordinated Hedge Amount, Hedging Agreement or Issuer Secured Creditor Entrenched Right; or
- (ii) would change or have the effect of changing the definition of Hedging Limit or would change any term forming part of such definition other than where the effect of such change would be to decrease the Hedging Limit; or
- (iii) would change or have the effect of changing the definition of Permitted Hedge Termination or any of the Hedge Counterparties' rights to terminate the Hedging Agreements as set out in the Hedging Policy; or
- (iv) would change or have the effect of changing subclause 7.1(b) of the Common Terms Agreement; or
- (v) would change or have the effect of changing clause 11.3 (*Voting of Cross Currency Hedging Agreements by Issuer Hedge Counterparties*) of the STID; or
- (vi) would change or have the effect of changing the definition of Loan Acceleration Notice or would change or have the effect of changing clause 19.2 (*Consequences of Delivery of Loan Notice Acceleration*) of the STID; or
- (vii) would change or have the effect of changing the purpose of the Liquidity Facility as is described in paragraph 2 of schedule 9 (*Liquidity Facility*) to the Common Terms Agreement; or
- (viii) would change or have the effect of changing paragraph 6 (*Disposals*) of

part 2 (*Operating and Financial Covenants of the Obligors*) of schedule 2 (*Covenants*), or paragraph 6 (*Application of Borrower Post-Enforcement (Pre Acceleration) Priorities of Payments in certain circumstances*) of schedule 8 (*Borrower Cash Management*) to the Common Terms Agreement, clause 7.4 (*Prepayment for Illegality*) of the Borrower Loan Agreement or clause 20.4 (*Borrower Post-Enforcement (Post Acceleration) Priority of Payments*) to the STID;

- (o) in respect of each Liquidity Facility Provider,
 - (i) would change or have the effect of changing subclause 7.1(b) (*Loan Events of Default*) of the Common Terms Agreement; or
 - (ii) would change or have the effect of changing the definition of Loan Acceleration Notice or would change or have the effect of changing clause 19.2 (*Consequences of Delivery of Loan Notice Acceleration*) of the STID; or
 - (iii) would change or have the effect of changing paragraph 6 (*Disposals*) of part 2 (*Operating and Financial Covenants of the Obligors*) of schedule 2 (*Covenants*), or paragraph 6 (*Application of Borrower Post-Enforcement (Pre Acceleration) Priorities of Payments in certain circumstances*) of schedule 8 (*Borrower Cash Management*) to the Common Terms Agreement, clause 7.4 (*Prepayment for Illegality*) to the Borrower Loan Agreement or clauses 20.4 (*Borrower Post-Enforcement (Post Acceleration) Priority of Payments*) of the STID; or
 - (iv) would affect the ability of such Liquidity Facility Provider to enforce its rights under the Liquidity Facility Agreement; or
 - (v) would change or have the effect of changing the purpose of the Liquidity Facility as is described in paragraph 2 of schedule 9 (*Liquidity Facility*) to the

Common Terms Agreement;

- (p) in respect of the Issuer, would relate to the waiver of the Loan Event of Default set out in paragraph 16 (*Bond Event of Default*) of schedule 4 (*Loan Events of Default*) to the Common Terms Agreement, provided that the Borrower Security Trustee shall be required to provide such waiver if, following delivery of an Enforcement Instruction Notice by the Borrower Security Trustee, no instruction to deliver a Loan Enforcement Notice, take any other kind of Enforcement Action or deliver a Loan Acceleration Notice is given by the Qualifying Borrower Secured Creditors in accordance with the procedures set out in the STID;

- (q) in respect of any Permitted Secured Guarantee Beneficiary, (i) may impose new, increased or additional obligations on or reduce the rights of such Permitted Secured Guarantee Beneficiary (provided, however, that with regard to any reduction of rights relating to the Borrower Post-Enforcement Priorities of Payments, the right of such Permitted Secured Guarantee Beneficiary shall be to rank *pari passu* with the repayments of principal in respect of the Borrower Loans relating to the Class A Bonds for an aggregate amount up to the Permitted Secured Guarantee Maximum Amount but the Borrower Post-Enforcement Priorities of Payments may otherwise be amended without the consent of any Permitted Secured Guarantee Beneficiary except where sub-paragraph (iii) of this paragraph (q) applies), (ii) would result in the Permitted Secured Guarantee Beneficiaries being entitled to be paid an aggregate amount under the STID of less than the Permitted Secured Guarantee Maximum Amount, (iii) would have the effect of granting security to any person that would rank in priority to the security granted to the Permitted Secured Guarantee Beneficiaries other than in respect of those classes of Borrower Secured Creditor ranking in priority to the Permitted Secured Guarantee Beneficiary as at the Establishment Date, and/or (v) would amend or result in an amendment to this paragraph (q) or would change or would have the effect of changing the definitions of Permitted Secured Guarantee Liabilities or Permitted Secured Guarantee Maximum Amount;

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| Equivalent Amount | the amount in question expressed in the terms of the Base Currency, calculated on the basis of the Exchange Rate; |
| ERISA | U.S. Employee Retirement Income Security Act of 1974 (as amended); |
| ERP | Enterprise Resource Planning supporting the streaming and distribution of information across all functional units of business; |
| Establishment Date | the date on which all conditions precedent to the establishment of the Programme as set forth in part 1 (<i>Conditions Precedent Documents and Evidence</i>) of schedule 1 (<i>Conditions Precedent Programme Establishment</i>) to the CP Agreement were satisfied, being 15 February 2011; |
| EURIBOR | the Euro-zone interbank offered rate; |
| Eurobond Basis | has the meaning given to it in Condition 5(i) (Definitions); |
| Euroclear | Euroclear Bank S.A./N.V.; |
| Euro Exchange Date | the date on which the Issuer gives a Euro Exchange Notice to the Bondholders and the Bond Trustee that all Bonds denominated in sterling will become void and replacement Bonds denominated in euro are available for exchange (provided that such Bonds are available) and no payments will be made in respect thereof; |
| Euro Exchange Notice | the notice give by the Issuer to the Bondholders and the Bond Trustee on the Euro Exchange Date; |
| Exchange Act | the United States Securities Exchange Act of 1934 (as amended); |
| Exchange Agent | Deutsche Bank AG, London Branch (or any successor thereto) in its capacity as exchange agent under the Agency Agreement in respect of the Bonds; |
| Exchange Date | the date which falls 40 days after a Temporary Bearer Global Bond has been issued; |
| Exchange Rate | the strike rate specified in any related Cross Currency Hedging Agreement or, failing that, the spot rate for the conversion of the Non-Base Currency into the Base Currency as quoted by the Agent Bank as at 11.00 a.m.; |
| | (a) for the purposes of clauses 12.7, 18.3, 18.7, or 21.1 of the STID, on the date that the STID Proposal, STID Voting Request, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Direction Notice or BSC |

Instruction Notice (as the case may be) is dated;
and

- (b) in any other case, on the date as of which calculation of the Equivalent Amount of the Outstanding Principal Amount is required,

and, in each case, as notified by the Agent Bank to the Bond Trustee;

Excluded Cash

- (a) any insurance proceeds required to be applied in reinstatement of any assets; and
- (b) any cash required to meet any permitted Restricted Payment declared but not yet paid;

in each case including any related costs, fines, penalties or interest (if any);

Existing Facilities Agreement

the GBP 1,125,000,000 facilities agreement dated 20 October 2009 between, amongst others, Bidco and various financial institutions (as amended on 2 December 2009 and as further amended and/or restated from time to time);

Existing Term Facility

has the meaning given to the term "Term Facility" in the Existing Facilities Agreement;

Expert

a bank or other person in London appointed by the Issuer and the Bond Trustee or, failing agreement on and the making of such appointment within 20 Business Days, by the Bond Trustee;

Extraordinary Resolution

either:

- (a) a resolution passed by a meeting of Bondholders of the relevant Sub-Class or Sub-Classes, duly convened and held in accordance with the Bond Trust Deed, by a majority of not less than three-quarters of the votes cast at such meeting; or
- (b) a resolution in writing signed by or on behalf of the holders of not less than three-quarters of the Principal Amount Outstanding of the relevant Sub-Class or Sub-Classes of the Bonds in accordance with the Borrower Trust Deed;

Extraordinary Voting Matters

are matters which:

- (a) would change (i) any provision (including any definition) which would materially affect the voting mechanics in relation to the Extraordinary Voting Matters or (ii) any of the matters constituting Extraordinary Voting

Matters;

- (b) would change any Loan Events of Default or any Trigger Events each in relation to non-payment, the making of Restricted Payments, financial ratios or credit rating downgrade;
- (c) would relate to the waiver of the Loan Event of Default in respect of any Obligor or a waiver of any Trigger Events in relation to non-payment, credit rating downgrade or financial ratios or the making of Restricted Payments;
- (d) would change in any adverse respect the restriction on any disposal of Gatwick Airport Limited or Gatwick or relate to a consent in respect of any such disposal;
- (e) would materially change or have the effect of materially changing the definition of Permitted Business;
- (f) would change or have the effect of changing the provisions or would relate to a waiver of the Additional Indebtedness Tests set out in paragraph 7.2 of part 2 of schedule 2 (*Covenants*) to the Common Terms Agreement;
- (g) would result in the sum of the then undrawn GFL Proportion under the Liquidity Facility, the balance on the Liquidity Standby Account (if any) then attributable to the GFL Proportion and the balance on the Issuer Liquidity Reserve Account (if any) being less than the aggregate amount of the Issuer's estimated recurring fees and expenses, interest and equivalent finance charges for the 12 months following the most recently occurring Calculation Date on Issuer Senior Debt; or
- (h) would result in the sum of the then undrawn GAL Proportion under the Liquidity Facility, the balance on the Liquidity Standby Account (if any) then attributable to the GAL Proportion and the balance on the Borrower Liquidity Reserve Account (if any) being less than the aggregate amount of the Borrower's estimated recurring fees and expenses, interest and equivalent finance charges for the 12 months following the most recently occurring Calculation Date on Senior Debt;

FATCA

the United States legislation (and related regulations) made under the Foreign Account Tax Compliance Act provisions of the Hiring Incentives to Restore

Employment Act of 2010;

FFI

a foreign financial institution as defined in FATCA;

Final Terms

the final terms issued in relation to each Tranche or Sub-Class of Bonds as a supplement to the Conditions and giving details of the Tranche or Sub-Class;

Finance Documents

- (a) the Security Documents;
- (b) the Common Terms Agreement;
- (c) any Borrower Loan Agreement;
- (d) the Master Definitions Agreement;
- (e) the Borrower Account Bank Agreement;
- (f) the Liquidity Facility Agreement;
- (g) any fee letter, commitment letter or utilisation request entered into in connection with the facilities referred to in paragraphs (f) and (l) or the transactions contemplated in such facilities and any other document that has been entered into in connection with such facilities or the transactions contemplated thereby that has been designated as a Finance Document by the parties thereto (including at least one Obligor);
- (h) each Hedging Agreement entered into by the Borrower;
- (i) each Hedging Agreement entered into by the Issuer;
- (j) the Initial Authorised Credit Facility Agreement;
- (k) any other Authorised Credit Facilities and any transfer certificates or other documents entered into in connection with such facilities or the transactions contemplated thereby that has been designated as a Finance Document by the parties thereto (including at least one Obligor);
- (l) the CP Agreement;
- (m) the Tax Deed;
- (n) each agreement or other instrument between the Borrower or the Issuer (as applicable) and an Additional Borrower Secured Creditor designated as a Finance Document by the Borrower or the Issuer (as applicable), the Borrower Security Trustee and such Additional

Borrower Secured Creditor in the Accession Memorandum for such Additional Borrower Secured Creditor;

- (o) any document evidencing a Permitted Second Lien Guarantee;
- (p) any back-to-back hedging agreement between the Issuer and the Borrower; and
- (q) any amendment and/or restatement agreement relating to any of the above documents;

Finance Party(/ies)

any person providing credit pursuant to an Authorised Credit Facility including all arrangers, agents, representatives and trustees appointed in connection with any such Authorised Credit Facilities;

Financial Adviser

a financial adviser in Frankfurt (selected by the Issuer and approved by the Bond Trustee);

Financial Indebtedness

(without double counting) any indebtedness for or in respect of:

- (a) moneys borrowed or raised (whether or not for cash);
- (b) any documentary or standby letter of credit facility;
- (c) any acceptance credit;
- (d) any bond, note, debenture, loan stock or other similar instrument;
- (e) any finance or capital lease or hire purchase contract which would, in accordance with Applicable Accounting Principles, be treated as such;
- (f) any amount raised pursuant to any issue of shares which are capable of redemption;
- (g) receivables sold or discounted (other than on a non-recourse basis to any Obligor);
- (h) the amount of any liability in respect of any advance or deferred purchase agreement if either one of the primary reasons for entering into such agreement is to raise finance or the relevant payment is advanced or deferred for a period in excess of 90 days;
- (i) any termination amount due from any Obligor in respect of any Treasury Transaction that has

terminated;

- (j) any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing (other than any trade credit or indemnity granted in the ordinary course of the Borrower's trading and upon terms usual for such trade);
- (k) any counter indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution; and
- (l) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any item referred to in paragraphs (a) to (k) (other than any guarantee or indemnity given in respect of obligations owed by one Obligor to another);

Financial Statements

at any time, the financial statements of an Obligor and, in the case of the Security Parent, additionally consolidated financial statements of itself and its subsidiaries, most recently delivered to the Borrower Security Trustee;

Fitch

Fitch Ratings Limited and any successor to the rating agency business of Fitch Ratings Limited;

Fixed Rate Bond

a Bond on which interest is calculated at a fixed rate payable in arrear on a fixed date or fixed dates in a year and/or redemption or such other dates as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the relevant Final Terms);

Fixed-rate Debt

the aggregate, at the time, of the outstanding Relevant Debt that bears either a fixed rate of interest or inflation-linked return;

Floating Rate

has the meaning given to it in the ISDA Definitions;

Floating Rate Bond

a Bond on which interest is calculated at a floating rate payable in arrear in respect of such period or on such date(s) as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms);

Floating Rate Option

has the meaning given to it in the ISDA Definitions;

Following Business Day Convention

has the meaning given to it in Condition 5(b) (*Business Day Convention*);

Form of Transfer

the form of transfer endorsed on a Registered Definitive Bond in the form or substantially in the form set out in

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| | part 8 (<i>Form of Definitive Bond</i>) of schedule 2 (<i>Form of Bonds, Receipts, Coupons and Talons</i>) to the Bond Trust Deed; |
| FSMA | the Financial Services and Markets Act 2000, as amended; |
| FTE | full-time equivalent; |
| Further Enforcement Instruction Notice | a notice from the Borrower Security Trustee requesting an instruction from the Qualifying Borrower Secured Creditors (through their Secured Creditor Representatives) at any time following the delivery of a Loan Enforcement Notice, following receipt by the Borrower Security Trustee of a BSC Instruction Notice pursuant to paragraph (b) of Clause 21.1 (Entitlement to direct Borrower Security Trustee) of the STID, as to whether the Borrower Security Trustee should deliver a Loan Acceleration Notice to accelerate all of the obligations secured under the Borrower Security; |
| GAL | Gatwick Airport Limited; |
| GAL Interest | the credit balance of the Liquidity Standby Account minus the GFL Interest; |
| GAL Liquidity Shortfall | after taking into account funds available for drawing from the Borrower Liquidity Reserve Account with respect to any Payment Date, there will be insufficient funds in the Operating Account to pay on such Payment Date any of the amounts scheduled to be paid in respect of items (i) to (vi) (inclusive) of paragraph 3(d) of schedule 8 (<i>Borrower Cash Management</i>) of the CTA (excluding items (A), (C) and (D) of paragraph (vi) in section 3(d) of Schedule 8 (<i>Borrower Cash Management</i>) to the CTA); |
| GAL Proportion | the proportion which the Outstanding Principal Amount under the Authorised Credit Facilities (excluding such Outstanding Principal Amount which corresponds to Class A Bonds under a Borrower Loan Agreement), which constitutes Senior Debt, bears to the Senior Debt Amount; |
| Gatwick | the land, assets and Leased Premises that together comprise Gatwick Airport; |
| Gatwick Airport Pension Plan | the Gatwick airport pension plan governed by the definitive trust deed and rules dated 3 December 2009 (as amended from time to time); |
| Gatwick's Capital Investment Programme or Capital Investment Programme | is a programme of investment which GAL spent £211.4 million in the 12 months ended 31 March 2011, and which has recently been revised for consultation; |

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| GFL Interest | at any time (i) the aggregate of all Standby Drawings which have been made and are outstanding under the Liquidity Facility Agreement multiplied by the GFL Proportion, minus (ii) any Liquidity Standby Account Drawings which have been made by or on behalf of GFL from the Liquidity Standby Account at such time; |
| GFL Liquidity Shortfall | (after taking into account funds available for drawing from the Issuer Accounts) with respect to any Interest Payment Date (as determined by the LF Cash Manager (as Issuer Cash Manager) or, in the absence of determination by the LF Cash Manager, by the Issuer on the Business Day immediately preceding the Issuer Determination Date) there will be insufficient funds in the relevant Issuer Accounts to pay on such Interest Payment Date any of the amounts scheduled to be paid in respect of items (a) to (f) (inclusive) of the Issuer Pre-Enforcement Priority of Payments (excluding, for the avoidance of doubt, any termination payments and all other unscheduled amounts payable to any Issuer Hedge Counterparty); |
| GFL Proportion | the proportion which the Principal Amount Outstanding of the Class A Bonds bears to the Senior Debt Amount; |
| GIP | Global Infrastructure Partners; |
| Global Bond | a Temporary Bearer Global Bond and/or a Permanent Bearer Global Bond issued in respect of the Bonds of any Class or Sub-Class and/or a Registered Global Bond and/or a Regulation S Global Bond and/or a Rule 144A Global Bond, as the context may require; |
| Good Industry Practice | those levels of skill, care, expertise and standards of good trade practice as may reasonably be expected of an experienced entity which is not state-owned or operated (whether by a government, a public administration or any other state entity whatsoever) operating and developing leading international airports of a size broadly comparable to Gatwick and providing the same or substantially similar services (taking into consideration regulatory, legal and planning constraints applicable to Gatwick); |
| Group | (other than in connection with the Hedging Policy) Ivy Midco Limited and each of its Subsidiaries for the time being; |
| Gross Real Redemption Yield | a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the UK Debt Management Office publication "Formulae for Calculating Gilt Prices from Yields" (published on 8 June 1998 with effect from 1 November 1998 and updated on 15 January 2002) page 5 or any replacement |

therefor and, for the purposes of such calculation, the date of redemption of the relevant Fixed Rate Bonds shall be assumed to be the Scheduled Redemption Date and not the Maturity Date;

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| Gross Redemption Yield | has the meaning given to it (in the case of Fixed Rate Bonds) in Condition 7(d)(i) or (in the case of Indexed Bonds) in Condition 7(d)(iii); |
| GST Law | Goods and Services Tax (Jersey) Law 2007; |
| GVA | measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom. GVA is used in the estimation of Gross Domestic Product (or GDP), which is a key indicator of the state of the whole economy; |
| Hedge Counterparties | (a) the Issuer Hedge Counterparties, (b) the Borrower Hedge Counterparties, and (c) any counterparty which accedes as hedge counterparty to the STID and the Common Terms Agreement and, in the case of any Treasury Transaction with the Issuer, the Issuer Deed of Charge and Hedge Counterparty means any of such parties; |
| Hedging Agreement | any Treasury Transaction entered or to be entered into by the Issuer or the Borrower with a Hedge Counterparty in accordance with the Hedging Policy to hedge interest rate exposure, index exposure and currency risk in relation to the Relevant Debt or the Bonds; |
| Hedging Limit | has the meaning given to it in the Hedging Policy; |
| Hedging Policy | the initial hedging policy applicable to the Obligors and the Issuer set out in schedule 5 (<i>Hedging Policy and Overriding Provisions Relating to Hedging Agreements</i>) to the Common Terms Agreement as such hedging policy may be amended from time to time by agreement between the Borrower Security Trustee, the Issuer, the Borrower and the Hedge Counterparties in accordance with the STID; |
| HMRC | Her Majesty's Revenue & Customs; |
| Holder | (a) in relation to a Bearer Bond, the bearer of any Bearer Bond, Coupon, Receipt or Talon (as the case may be) and (b) in relation to a Registered Bond, the person in whose name a Registered Bond is registered, as the case may be; |
| Holding Companies | each of Topco, Midco and Bidco and Holding Company means any of them; |
| IFRS | International Financial Reporting Standards (formerly |

International Accounting Standards) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

Index subject as provided in Condition 6(c)(i) (*Change in base*), the UK Retail Price Index (RPI) (for all items) published by the Central Statistical Office and available to view at www.statistics.gov.uk (January 1987 = 100) or any comparable index which may replace the UK Retail Price Index for the purpose of calculating the amount payable on repayment of the Reference Gilt;

Index Event (a) if the Index Figure for three consecutive months falls to be determined on the basis of an Index Figure previously published as provided in Condition 6(c)(ii) (*Delay in publication of Index*) and the Bond Trustee has been notified by the Principal Paying Agent that publication of the Index has ceased or (b) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, and (in either case) no amendment or substitution of the Index has been advised by the Indexation Adviser to the Issuer and such circumstances are continuing;

Index Figure has the meaning given to it in Condition 6(a) (*Definitions*);

Index Ratio the Index Figure applicable to any month divided by the Base Index Figure;

Indexation Adviser a gilt-edged market maker or other adviser selected by the Issuer and approved by the Bond Trustee;

Indexed Bond a Bond in respect of which the amount payable in respect of principal and interest is calculated by reference to an index and/or formula as the Issuer and the relevant Dealer(s) may agree (as indicated in the relevant Final Terms);

Indirect Participants Investors that are accountholders and hold their interests in Global Bonds indirectly through Euroclear or Clearstream, Luxembourg;

Initial ACF Agent The Royal Bank of Scotland plc or any successor thereto appointed under the Initial Authorised Credit Facility Agreement;

Initial ACF Arrangers those financial institutions listed in part 5 of schedule 11 to the Common Terms Agreement;

Initial ACF Finance Document has the meaning given to it in clause 1.1 (*Definitions*) of the Initial Authorised Credit Facility Agreement;

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| Initial ACF Finance Party | the Initial ACF Agent, the Initial ACF Arrangers, the Borrower Security Trustee, a Lender or an Ancillary Lender; |
| Initial Authorised Credit Facility Agreement | the ACF entered into on the Establishment Date between the Borrower, the Initial ACF Agent, the Initial ACF Arrangers and the Original ACF Lenders; |
| Initial Date Representation | in respect of the entering into of a new Authorised Credit Facility after the Establishment Date, each of the representations in schedule 1 (<i>General Representations</i>) to the Common Terms Agreement, or in respect of the Obligors as may be agreed and amended by the Obligors and the relevant Authorised Credit Provider in accordance with paragraph 4.1(c) (<i>Representations</i>) of the Common Terms Agreement, provided that the representations contained in paragraphs 6 (<i>Validity and admissibility in evidence</i>), 7 (<i>Authorisations</i>) and 21 (<i>Choice of Law</i>) of schedule 1 (<i>General Representations</i>) to the Common Terms Agreement shall be limited and refer only to the new Authorised Credit Facility, the representations contained in paragraph 9 (<i>Full Disclosure</i>) of schedule 1 (<i>General Representations</i>) to the Common Terms Agreement shall be limited to the new Authorised Credit Facility (as the case may be) and the investor presentation (if any, provided that such investor presentation was expressly authorised by the Borrower) prepared in respect of such Authorised Credit Facility (as the case may be); |
| Initial Facilities | the Capex Facility, the Term Facility and the Revolving Facility; |
| Initial Issue Date | the date upon which the first Series of Bonds was issued by the Issuer; |
| Initial Liquidity Facility Providers | those financial institutions listed in part 1 (<i>Initial Liquidity Facility Providers</i>) of schedule 11 (<i>Financial Institutions</i>) to the Common Terms Agreement or any other party that accedes to the Liquidity Facility Agreement as a Liquidity Facility Provider; |
| Initial Liquidity Providers | those financial institutions listed in part 3 of schedule 11 to the Common Terms Agreement or any other party that accedes to the Liquidity Facility Agreement as a Liquidity Facility Provider; |
| Insolvency Event | in respect of any company: <ul style="list-style-type: none"> (a) the initiation of or consent to Insolvency Proceedings by such company or any other person or the presentation of a petition or application for the making of an administration order which proceedings (other than in the case |

of the Issuer) are not, in the opinion of the Borrower Security Trustee, being disputed in good faith with a reasonable prospect of success;

- (b) the giving of notice of appointment of an administrator or the making of an administration order or an administrator being appointed in respect of such company or the company becomes bankrupt within the meaning of the Interpretation (Jersey) Law 1954;
- (c) an encumbrancer (excluding, in relation to the Issuer, the Issuer Security Trustee or any receiver appointed by the Issuer Security Trustee) taking possession of the whole or any part of the undertaking or assets of such company;
- (d) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any substantial part of the undertaking or assets of such company (excluding, in relation to the Issuer, by the Issuer Security Trustee or any receiver appointed by the Issuer Security Trustee) and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within 30 days;
- (e) the making of an arrangement, composition, scheme of arrangement, reorganisation with or conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally;
- (f) the passing by such company of an effective resolution or the making of an order by a court of competent jurisdiction for the winding up, liquidation or dissolution of such company (except, in the case of the Issuer, a winding up for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Issuer Security Trustee or by an Extraordinary Resolution of the Bondholders of each Class or Sub-Class of Bonds);
- (g) subject to the other paragraphs of this definition, the appointment of an Insolvency Official in relation to such company or in relation to the whole or any substantial part of the undertaking or assets of such company;

- (h) save as permitted in the STID, the cessation or suspension of payment of its debts generally or a public announcement by such company of an intention to do so; or
- (i) save as provided in the STID, a moratorium is declared in respect of any indebtedness of such company;

Insolvency Official

in connection with any Insolvency Proceedings in relation to a company, a liquidator, provisional liquidator, administrator, administrative receiver, receiver, manager, nominee, supervisor, trustee, conservator, guardian or other similar official in respect of such company or in respect of all (or substantially all) of the company's assets or in respect of any arrangement or composition with creditors;

Insolvency Proceedings

in respect of any company, the winding-up, liquidation, dissolution or administration of such company, or any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or of any jurisdiction in which such company, carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors;

Instalment Amount

the amount of an instalment of scheduled principal as specified in the relevant Final Terms;

Instalment Bonds

any Bonds under which the redemption is specified to occur in instalments;

Instalment Date

the date on which each Bond which provides for instalment dates (as specified in the relevant Final Terms) will be partially redeemed;

Integral Amount

the integral amounts between the Minimum Denomination and the Maximum Denomination under which the Bonds are authorised to be denominated;

Intellectual Property Right

any right in:

- (a) copyright (including rights in software and preparatory design materials), get-up, trade names, internet domain names, patents, inventions, rights in confidential information, database rights, moral rights, semiconductor topography rights, trade secrets, know-how, trade marks, service marks, logos and registered designs and design rights (each whether registered or unregistered);
- (b) applications for registration and the right to

apply for registration, for any of the above; and

- (c) all other intellectual property rights in each case whether registered or unregistered and including applications for registration and all rights or equivalent or similar forms of protection having equivalent or similar effect anywhere in the world;

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| Interest Amount | has the meaning given to it in Condition 5(h) (<i>Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts</i>); |
| Interest Commencement Date | in the case of interest-bearing Bonds, the date specified in the applicable Final Terms from (and including) which such Bonds bear interest, which may or may not be the Issue Date; |
| Interest Determination Date | with respect to an Interest Rate and an Interest Period, the date specified as such in the relevant Final Terms or, if none is so specified, the day falling two Business Days in London prior to the first day of such Interest Period (or if the specified currency is sterling, the first day of such Interest Period) (as adjusted in accordance with any Business Day Convention (as defined above) specified in the relevant Final Terms); |
| Interest Payment Date | (a) in respect of the Bonds, has the meaning given thereto in Condition 5(i) (<i>Definitions</i>) or otherwise pursuant to the Final Terms and (b) in respect of the Borrower Loans, has the meaning given thereto in clause 1 (<i>Definitions and Interpretation</i>) of the Borrower Loan Agreement; |
| Interest Period | the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date; |
| Interest Rate | has the meaning given thereto in Condition 5(i) (<i>Definitions</i>); |
| Interest Rate Hedging Agreement | any Hedging Agreement with a Hedge Counterparty in respect of a Treasury Transaction in respect of any interest rate hedging including, without limitation, through an inflation or inflation-linked hedging transaction; |
| Investment Company Act | the United States Investment Company Act of 1940 (as amended); |
| Investor Report | a report required to be delivered pursuant to paragraph 3 |

(*Investor Reports*) of part 1 (*Information Covenants*) of schedule 2 (*Covenants*) to the Common Terms Agreement;

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| IRS | U.S. Internal Revenue Service; |
| ISDA Definitions | the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of Bonds of the relevant Sub-Class as published by the International Swaps and Derivatives Association, Inc.); |
| ISDA Determination | has the meaning given to it in Condition 5(c) (<i>Floating Rate Bonds</i>); |
| ISDA Master Agreement | either: (a) the Master Agreement (Multicurrency-Cross Border) as published by the International Swaps and Derivatives Association, Inc.; or (b) the 2002 Master Agreement as published by the International Swaps and Derivatives Association, Inc.; |
| ISDA Rate | has the meaning given to it in Condition 5(c) (<i>Floating Rate Bonds</i>); |
| Issue Date | in respect of any Bond, the date of issue and purchase of such Bond pursuant to and in accordance with the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s) being, in the case of any Definitive Bond represented initially by a Global Bond, the same date as the date of issue of the Global Bond which initially represented such Bond; |
| Issue Price | the price as stated in the relevant Final Terms, generally expressed as a percentage of the nominal amount of the Bonds, at which the Bonds will be issued; |
| Issuer | Gatwick Funding Limited, a company incorporated in Jersey with limited liability (under registered number 107376); |
| Issuer Account Bank | The Royal Bank of Scotland plc or any successor account bank appointed pursuant to the Issuer Account Bank Agreement; |
| Issuer Account Bank Agreement | the account bank agreement between, among others, the Issuer Account Bank, the Issuer and the Issuer Security Trustee dated on the Establishment Date; |
| Issuer Accounts | the Issuer Dollar Account, the Issuer Euro Account and the Issuer Sterling Account together with any other account of the Issuer that may be opened from time to time (including any Issuer Collateral Accounts and any |

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| | Issuer Liquidity Reserve Account but excluding any Liquidity Standby Account) pursuant to and/or in accordance with any Issuer Transaction Document and includes any sub-account or sub-accounts relating to that account and any replacement account from time to time (each an Issuer Account); |
| Issuer Cash Management Agreement | the cash management agreement dated on the Establishment Date between, among others, the Issuer, the Issuer Cash Manager and the Issuer Security Trustee; |
| Issuer Cash Manager | Gatwick Airport Limited and any successor thereto; |
| Issuer Charged Documents | the Issuer Transaction Documents and the Finance Documents to which the Issuer is a party and all other contracts, documents, agreements and deeds to which it is, or may become, a party (other than the Issuer Deed of Charge, the Bond Trust Deed and the Jersey Corporate Administration Agreement); |
| Issuer Charged Property | the property, assets, rights and undertakings of the Issuer that are the subject of the Security Interests created in or pursuant to the Issuer Deed of Charge; |
| Issuer Collateral Account | each account of the Issuer titled "Issuer Collateral Account" opened at the Issuer Account Bank in accordance with the provisions of the Issuer Cash Management Agreement and includes any sub-account or any securities account or any other custody account relating to that account and any replacement account from time to time; |
| Issuer Corporate Administration Agreements | the Jersey Corporate Administration Agreement and the UK Corporate Administration Agreement; |
| Issuer Corporate Administration Providers | the Jersey Corporate Administration Provider and the UK Corporate Administration Provider and any successors thereto; |
| Issuer Deed of Charge | the deed of charge entered into between the Issuer and the Issuer Security Trustee dated on the Establishment Date; |
| Issuer Determination Date | the date which is five Business Days prior to each Interest Payment Date; |
| Issuer Dollar Account | the dollar account as specified in schedule 1 (<i>Accounts</i>) to the Issuer Account Bank Agreement and includes any sub-account or sub-accounts relating to that account or such other dollar denominated account as may be opened, with the consent of the Issuer Security Trustee, at any branch of the Issuer Account Bank in replacement of such account; |

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| Issuer Euro Account | the euro account as specified in schedule 1 (<i>Accounts</i>) to the Issuer Account Bank Agreement and includes any sub-account or sub-accounts relating to that account or such other euro denominated account as may be opened, with the consent of the Issuer Security Trustee, at any branch of the Issuer Account Bank in replacement of such account; |
| Issuer Excess Hedge Collateral | an amount equal to the value of the collateral (or the applicable part of any collateral) provided by any Issuer Hedge Counterparty to the Issuer in respect of the relevant Issuer Hedge Counterparty's obligations to transfer collateral to the Issuer under the relevant Issuer Hedging Agreement (as a result of the ratings downgrade provisions in that Issuer Hedging Agreement), which is in excess of that Issuer Hedge Counterparty's liability to the Issuer under the relevant Issuer Hedging Agreement, or which the relevant Issuer Hedge Counterparty is otherwise entitled to have returned to it under the terms of the relevant Issuer Hedging Agreement; |
| Issuer Hedge Counterparty(/ies) | a Hedge Counterparty who is party to an Issuer Hedging Agreement; |
| Issuer Hedge Replacement Premium | a premium or upfront payment received by the Issuer from a replacement hedge counterparty under a replacement hedge agreement with the Issuer to the extent of any termination payment due to an Issuer Hedge Counterparty under an Issuer Hedging Agreement; |
| Issuer Hedging Agreement | each Hedging Agreement entered into by the Issuer and an Issuer Hedge Counterparty; |
| Issuer Junior Debt | the Class B Bonds and the Cross Currency Hedging Agreements between the Issuer and the Cross Currency Hedge Counterparties in respect of the Class B Bonds; |
| Issuer Liquidity Reserve Account | an account opened in the name of the Issuer and maintained by the Issuer Account Bank pursuant to the terms of the Issuer Account Bank Agreement and credited with a cash reserve for the purpose of satisfying the minimum debt service funding requirements set out in paragraph 3.3 of part 3 (<i>Trigger Event Remedies</i>) of schedule 3 (<i>Trigger Event</i>) to the Common Terms Agreement or such other account as may be opened, with the consent of the Issuer Security Trustee, at any branch of the Issuer Account Bank in replacement of such account; |
| Issuer Payment Priorities | the Issuer Pre-Enforcement Priority of Payments and the Issuer Post-Enforcement Priority of Payments; |
| Issuer Post-Enforcement Priority | the provisions relating to the order of priority of |

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| of Payments | payments set out in the Issuer Deed of Charge; |
| Issuer Pre-Enforcement Priority of Payments | the provisions relating to the order of priority of payments from the Issuer Accounts set out in schedule 1 to the Issuer Cash Management Agreement; |
| Issuer Profit Amount | £3,000 per annum or £750 if paid in quarterly instalments to be retained by the Issuer in each accounting period as contemplated by regulations 4(3) and 10 of the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296); |
| Issuer Qualifying Creditors | <p>in respect of Issuer Qualifying Debt:</p> <ul style="list-style-type: none"> (a) for so long as any Class A Bonds remain outstanding, the holders of the Class A Bonds and each Cross Currency Hedge Counterparty that is party to a Cross Currency Hedging Agreement in respect of the Class A Bonds; (b) if there are no Class A Bonds then outstanding and for so long as any Class B Bonds remain outstanding, the holders of the Class B Bonds and each Cross Currency Hedge Counterparty that is party to a Cross Currency Hedging Agreement in respect of the Class B Bonds; |
| Issuer Qualifying Debt | <ul style="list-style-type: none"> (a) for so long as any Class A Bonds remain outstanding, the sum of (i) the Principal Amount Outstanding of the Class A Bonds and (ii) the mark-to-market value of all transactions arising under Cross Currency Hedging Agreements in respect of the Class A Bonds to the extent that such value represents an amount which would be payable to the relevant Cross Currency Hedge Counterparties if an early termination date was designated at such time in respect of such transactions; or (b) if there are no Class A Bonds then outstanding and for so long as any Class B Bonds remain outstanding, the sum of (i) the Principal Amount Outstanding of the Class B Bonds and (ii) the mark-to-market value of all transactions arising under Cross Currency Hedging Agreements in respect of the Class B Bonds to the extent that such value represents an amount which would be payable to the relevant Cross Currency Hedge Counterparties if an early termination date was designated at such time in respect of such transactions; |
| Issuer Secured Creditor | (a) the Issuer Security Trustee (for itself and the other Issuer Secured Creditors) under the Issuer Deed of Charge; |

- (b) the Bond Trustee (for itself and on behalf of the Bondholders) under the Bond Trust Deed;
- (c) the Bondholders and the Couponholders;
- (d) each Issuer Hedge Counterparty under its Issuer Hedging Agreement;
- (e) each Liquidity Facility Provider and the Liquidity Facility Agent under the Liquidity Facility Agreement in respect of the GFL Proportion;
- (f) the Issuer Account Bank under the Issuer Account Bank Agreement;
- (g) the Principal Paying Agent, Paying Agents, Transfer Agent, Exchange Agent, Registrar and Agent Bank under the Agency Agreement and any Calculation Agent under a Calculation Agency Agreement;
- (h) the Issuer Cash Manager under the Issuer Cash Management Agreement; and
- (i) the Issuer Corporate Administration Providers under the Issuer Corporate Administration Agreements;

**Issuer Secured Creditor
Entrenched Right**

in respect of an Issuer Secured Creditor, any modification, consent, direction or waiver in respect of an Issuer Transaction Document that would (a) result in an increase in or would adversely modify such Issuer Secured Creditor's obligations or liabilities under such Issuer Transaction Document, (b) have the effect of adversely changing the Issuer Payment Priorities or application thereof in respect of such Issuer Secured Creditor where **adversely** means, in respect of any change to the Issuer Payment Priorities, a change which has the effect of changing the priority of the Issuer Secured Creditors relative to each other provided that the creation of payments which rank subordinate to an Issuer Secured Creditor shall not be an adverse change in respect of such Issuer Secured Creditor, (c) release any Issuer Security (except where such release is expressly permitted by the Issuer Deed of Charge), (d) alter adversely the voting entitlement of such Issuer Secured Creditor under the STID, the Bond Trust Deed or the Conditions, (e) in respect of an Issuer Hedge Counterparty, constitute an Entrenched Right pursuant to paragraph (k) of the definition of Entrenched Right, (f) amend clause 6.7 (Permitted Enforcement – Liquidity Facility Agent and Issuer Hedge Counterparties) of the Issuer Deed of Charge or (g)

amend this definition;

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| Issuer Secured Liabilities | all present and future obligations and liabilities (whether actual or contingent) of the Issuer to any Issuer Secured Creditor under each Issuer Transaction Document; |
| Issuer Security | the fixed and floating security granted by the Issuer to the Issuer Security Trustee pursuant to the Issuer Deed of Charge; |
| Issuer Security Trustee | Deutsche Trustee Company Limited (and its successors) or any other security trustee appointed in its capacity as security trustee pursuant to the Issuer Deed of Charge; |
| Issuer Senior Debt | the Class A Bonds, the Rate Hedging Agreements between the Issuer and the Hedge Counterparties in respect of the Class A Bonds and the Cross Currency Hedging Agreements between the Issuer and the Cross Currency Hedge Counterparties; |
| Issuer Sterling Account | the sterling account as specified in schedule 1 (<i>Accounts</i>) to the Issuer Account Bank Agreement and includes any sub-account or sub-accounts relating to that account or such other sterling denominated account as may be opened, with the consent of the Issuer Security Trustee, at any branch of the Issuer Account Bank in replacement of such account; |
| Issuer Subordinated Hedge Amounts | any termination payment due or overdue to an Issuer Hedge Counterparty under any Issuer Hedging Agreement which arises as a result of the occurrence of an Event of Default (as defined in the relevant Issuer Hedging Agreement) where the relevant Issuer Hedge Counterparty is the Defaulting Party (as defined in the relevant Hedging Agreement) or the occurrence of an Additional Termination Event (as defined in the relevant Issuer Hedging Agreement) following the failure of the relevant Issuer Hedge Counterparty to take action in accordance with the terms of the relevant Issuer Hedging Agreement within the required period following a credit rating downgrade of such Issuer Hedge Counterparty (other than any amount attributable to the return of collateral or any premium or other upfront payment paid to the Issuer to enter into a transaction to replace an Issuer Hedging Agreement (in whole or in part) which shall be paid directly to the relevant Issuer Hedge Counterparty and not in accordance with the Issuer Payment Priorities); |
| Issuer Transaction Documents | the Bonds, the Coupons and any Final Terms relating to the Bonds, the Bond Trust Deed (including the Conditions), the Tax Deed, the Dealership Agreement, each relevant Subscription Agreement, the Agency Agreement, the Issuer Deed of Charge, the Issuer Cash Management Agreement, the Issuer Account Bank |

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| | Agreement, the Common Terms Agreement, the STID, the Master Definitions Agreement, each Borrower Loan Agreement, the Liquidity Facility Agreement, the Issuer Hedging Agreements, the Issuer Corporate Administration Agreements, the Liquidity Standby Account Declaration of Trust, and any other agreement, instrument or deed designated as such by the Issuer and the Issuer Security Trustee; |
| IT | Information technology; |
| ITTS | the inter terminal transit system; |
| Jersey Corporate Administration Agreement | the corporate administration agreement dated on the Establishment Date between the Issuer and the Jersey Corporate Administration Provider; |
| Jersey Corporate Administration Provider | Structured Finance Management Offshore Limited appointed pursuant to the Jersey Corporate Administration Agreement or any successor thereto; |
| Jersey Income Tax Law | Income Tax (Jersey) Law 1961 (as amended); |
| Jersey Security Interest Agreement | the Jersey law governed security agreement entered into on the Establishment Date between the Borrower and the Borrower Security Trustee; |
| Joint Venture | any arrangement or agreement for any joint venture, co operation or partnership pursuant to, required for or conducive to the operation of the Permitted Business by the Obligors or which falls within the Permitted Non-Regulated Business Limits; |
| Junior Debt | any financial accommodation that is, for the purposes of the STID, to be treated as Junior Debt; |
| LC Supported RAB-Eligible Capex | has the meaning given to it in clause 1.1 (<i>Definitions</i>) of the Initial Authorised Credit Facility Agreement; |
| Lead Manager | in relation to any Sub-Class or Tranche of Bonds, each person named as lead manager in the relevant Subscription Agreement; |
| Leased Premises | premises leased and/or licensed to the Borrower used in the conduct of its business; |
| Legend | a legend specifying certain restrictions on transfer in accordance with Rule 144A; |
| Legended Bond | a Registered Bond (whether in definitive form or represented by a Registered Global Bond) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bears a legend specifying certain restrictions on transfer; |

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| Lender | <p>(a) any Original ACF Lender; and</p> <p>(b) any bank, financial institution, trust, fund or other entity which has become a Party as a Lender in accordance with clause 21 (<i>Changes to the Lenders</i>) of the Initial Authorised Credit Facility Agreement,</p> <p>which in each case has not ceased to be a Lender in accordance with the terms of Initial Authorised Credit Facility Agreement;</p> |
| LF Cash Manager | GAL; |
| LF Commitment Fee | the commitment fee payable in accordance with Clause 23.1 (Commitment Fee) of the Liquidity Facility Agreement; |
| LF Interest Period | a period of one month, two months or three months or such other period agreed in writing between the Liquidity Facility Agent and the Borrowers (as defined in the Liquidity Facility Agreement); |
| LF Mandatory Cost | the cost of complying with certain regulatory requirements, expressed as a percentage rate per annum and calculated by the Liquidity Facility Agent under Schedule 6 of the Liquidity Facility Agreement; |
| LF Notice of Drawing | a request for a Liquidity Loan Drawing in the form of schedule 2 (LF Notice of Drawing) to the Liquidity Facility Agreement; |
| LF Transfer Certificate | a certificate in or substantially in the form set out in schedule 3 (<i>Form of LF Transfer Certificate</i>) to the Liquidity Facility Agreement; |
| LIBOR | the London interbank offered rate; |
| Limited Index Ratio | (a) in respect of any month prior to the relevant Issue Date, the Index Ratio for that month; (b) in respect of any Limited Indexation Month after the relevant Issue Date, the product of the Limited Indexation Factor for that month and the Limited Index Ratio as previously calculated in respect of the month 12 months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month; |
| Limited Indexation Factor | in respect of a Limited Indexation Month, the ratio of the Index Figure applicable to that month divided by the Index Figure applicable to the month 12 months prior thereto, provided that (a) if such ratio is greater than the Maximum Indexation Factor, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor, it |

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| | shall be deemed to be equal to such Minimum Indexation Factor; |
| Limited Indexation Month | any month specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated; |
| Limited Indexed Bonds | Indexed Bonds to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies; |
| Liquidity Coverage Ratio | the leverage ratio introduced as part of Basel III; |
| Liquidity Facility | the committed sterling revolving liquidity facility made available under the Liquidity Facility Agreement as described in clause 3.1 (<i>Grant of the Facility</i>) of the Liquidity Facility Agreement; |
| Liquidity Facility Agent | The Royal Bank of Scotland plc or any successor agent appointed pursuant to the Liquidity Facility Agreement; |
| Liquidity Facility Agreement | the liquidity facility agreement which has the characteristics set out in schedule 9 (<i>Liquidity Facility</i>) to the Common Terms Agreement, which GAL and the Issuer entered into on the Establishment Date; |
| Liquidity Facility Amount | at any time, the aggregate of the available commitments under the Liquidity Facility Agreement; |
| Liquidity Facility Provider(s) | the Initial Liquidity Facility Providers and any bank or financial institution which has become a party to the Liquidity Facility Agreement in accordance with clause 25 (<i>Assignments and Transfers</i>) of the Liquidity Facility Agreement or as a result of an amendment of the Liquidity Facility Agreement in accordance with clause 30 (<i>Amendments</i>) of the Liquidity Facility Agreement which in each case has not ceased to be a party in accordance with the terms of the Liquidity Facility Agreement, or any bank or financial institution party to any replacement or substitute liquidity facility agreement; |
| Liquidity Loan Drawing | unless otherwise stated in the Liquidity Facility Agreement, the principal amount of each Standard Liquidity Loan Drawing and/or a Liquidity Standby Account Drawing (and for the avoidance of doubt, a Liquidity Loan Drawing shall not include a Standby Drawing); |
| Liquidity Standby Account | an account held in the name of GAL with: <ul style="list-style-type: none"> (a) the Borrower Account Bank; or (b) if the Borrower Account Bank ceases to have the Minimum Short-term Rating or any such other short-term ratings as are otherwise |

acceptable to the Rating Agencies, then a bank which has such ratings,

in each case so long as the Liquidity Standby Account is subject to the Liquidity Standby Account Declaration of Trust;

Liquidity Standby Account Declaration of Trust

the declaration of trust entered into on the Initial Issue Date between GAL, the Issuer, the Borrower Security Trustee and the Issuer Security Trustee under which GAL agrees to hold on trust certain property, including any balance standing from time to time to the credit of the Liquidity Standby Account for itself and the Issuer;

Liquidity Standby Account Drawing

in relation to a Liquidity Loan Drawing, a withdrawal of sums standing to the credit of the Liquidity Standby Account funded by way of Standby Drawing, the amount of such withdrawal to be equal to the amount of that Liquidity Loan Drawing multiplied by the proportion that the Available Standby Amount bears to the aggregate of the Available Standby Amount and the Liquidity Facility Amount (including any Liquidity Facility Amount under any Substitute Liquidity Facility Agreement);

Liquidity Subordinated Amounts

all amounts payable under, or in any way in connection with, the Liquidity Facility Agreement, other than:

(a) principal and interest in respect of the Liquidity Loan Drawing or a Standby Drawing, except that part of the interest (in each case, for the relevant LF Interest Period) on the Liquidity Loan Drawing or a Standby Drawing which represents a LF Mandatory Cost in excess of 0.20 per cent. per annum on the maximum amount then available to be drawn under the Liquidity Facility Agreement;

(b) the LF Commitment Fee; and

(c) any costs payable in accordance with Clause 13 (Increased Costs) of the Liquidity Facility Agreement;

Listing Rules

Listing Rules of the Financial Services Authority;

Loan Acceleration Notice

a notice delivered by the Borrower Security Trustee pursuant to the STID by which the Borrower Security Trustee declares that all Borrower Secured Liabilities shall be accelerated;

Loan Enforcement Notice

a notice delivered by the Borrower Security Trustee in accordance with clause 18.5 (*Loan Enforcement Notice*) of the STID by which the Borrower Security Trustee declares that the Borrower Security has become enforceable;

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| Loan Event of Default | an event specified as such in schedule 4 (<i>Loan Events of Default</i>) to the Common Terms Agreement; |
| London Stock Exchange | the London Stock Exchange plc or any other body to which its functions have been transferred; |
| Make-Whole Amount | any amount above par payable on redemption of any Issuer Senior Debt or Issuer Junior Debt except where such amount is limited to accrued interest; |
| Mandatory Standby Repayment Account | an account opened in the name of the Borrower and maintained by the Borrower Account Bank pursuant to the terms of the Borrower Account Bank Agreement and credited with any Mandatory Standby Repayment Amount; |
| Mandatory Standby Repayment Amount | in relation to calculating the Required Redemption Amount, the lesser of (i) the aggregate amount of the Standby Drawings which are outstanding at such time and (ii) the Required Redemption Amount; |
| Margin | the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms; |
| Market | the London Stock Exchange – Regulated Market; |
| Master Definitions Agreement | the master definitions schedule entered into by, among others, the Issuer and the Borrower dated on the Establishment Date; |
| Material Adverse Effect | <p>a material adverse effect on:</p> <ul style="list-style-type: none"> (a) the business, assets or financial condition of the Obligors taken as a whole; or (b) (taking into account the resources available to an Obligor from other Obligors and any guarantees given by other Obligors) the ability of such Obligor (and in respect of the Dealership Agreement only, the Issuer) to perform any of its payment obligations under any of the Transaction Documents; or (c) the legality, validity or enforceability of, any of the Transaction Documents in a manner which is prejudicial in any material respect to the interests of the Bondholders, <p>provided that any such effect will not be deemed to occur where it occurs as a result of regulations or legislation introduced to implement specific proposals in the Department of Transport publications entitled "<i>Reforming the Framework for Economic Regulation of Airports: Decision Document</i>" published in December 2009 and "<i>Promoting Financial Resilience for Major</i></p> |

Airports: Analysis of Consultation Responses and Government's Decision" published in July 2010; however, the previous proviso will not apply if such effect occurs in circumstances which result in the Loan Event of Default in paragraph 12.2 (*Change in Law*) of schedule 4 (*Loan Events of Default*) to the Common Terms Agreement;

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| Maturity Date | the date specified in the relevant Final Terms as the final date on which the principal amount of the relevant Bond is due and payable; |
| Maximum Denomination | an amount that is twice the Minimum Denomination less the Integral Amount; |
| Maximum Indexation Factor | the maximum indexation factor in relation to the ratio of the Index specified in the relevant Final Terms; |
| Maximum Interest Rate | the maximum rate of interest specified in the relevant Final Terms which the Interest Rate shall in no event be greater than; |
| Member State | a member state of the European Union; |
| Midco | Ivy Midco Limited, a company incorporated in England and Wales with limited liability (registered number 06894065); |
| Minimum Denomination | €100,000 or not less than the equivalent of €100,000 in any other currency as at the date of issue of the Bonds; |
| Minimum Indexation Factor | the minimum indexation factor specified in the relevant Final Terms; |
| Minimum Interest Rate | the minimum rate of interest specified in the relevant Final Terms which the Interest Rate shall in no event be less than; |
| Minimum Short-term Rating | in respect of any person, such person's short-term unsecured debt obligations being rating, in the case of S&P, "A-2" and in the case of Fitch "F1"; |
| Modified Following Business Day Convention | has the meaning given to it in Condition 5(b) (<i>Business Day Convention</i>); |
| Modified Redemption Amount | an amount equal to the lower of (x) the Principal Amount Outstanding of the relevant Bonds or the relevant portion thereof available for redemption and (y) (in the case of Fixed Rate Bonds or Indexed Bonds denominated in sterling) an amount calculated by multiplying the Principal Amount Outstanding of such Bonds or the relevant portion thereof available for redemption by that price (expressed as a percentage) (as reported in writing to the Issuer and the Bond Trustee by a financial adviser nominated by the Issuer and |

approved by the Bond Trustee) (and rounded to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the Bonds on the Reference Date is equal to the Redemption Rate or (in the case of Fixed Rate Bonds denominated in euro) at the Redemption Amount calculated in accordance with Condition 7(d)(iv) provided that the reference in such calculation to the Bund Rate shall be construed as a reference to the Redemption Rate or (in the case of Fixed Rate Bonds denominated in a currency other than sterling or euro or Indexed Bonds denominated in a currency other than sterling) the Alternative Redemption Amount calculated in accordance with the relevant Final Terms, plus, in any case, accrued but unpaid interest (in the case of Indexed Bonds, as adjusted in accordance with Condition 6(b) (*Application of the Index Ratio*)) on the Principal Amount Outstanding or the relevant portion thereof available for redemption to (but excluding) the date of redemption;

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| Moody's | Moody's Investors Service Limited; |
| Most Senior Class | the Class A Bonds for so long as there are any Class A Bonds outstanding and thereafter the Class B Bonds for so long as there are any Class B Bonds outstanding; |
| NATS | National Air Traffic Services Limited; |
| necessary information | in relation to any Tranche of Bonds, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Bonds; |
| Net Stable Funding Ratio | short-term and longer-term standards for funding liquidity introduced as part of Basel III; |
| New Dealer | any entity appointed as an additional Dealer in accordance with clause 11 (<i>Appointment of New Dealer</i>) of the Dealership Agreement; |
| New Obligor | has the meaning given to it in part 3 (<i>Form of Accession Memorandum (New Obligors)</i>) of schedule 1 (<i>Form of Accession Memorandum</i>) to the STID; |
| NFFE | a non-financial foreign entity, as defined by FATCA; |
| NGB or New Global Bond | a Temporary Bearer Global Bond in the form set out in part 1 of the schedule 2 to the Bond Trust Deed or a Permanent Bearer Global Bond in the form set out in part 2 of the schedule 2 of the Bond Trust Deed, in either case where the applicable Final Terms specify that the Bonds are in NGB form; |
| Non-ACF Financial Indebtedness | any Financial Indebtedness (including any Second Lien |

Debt) owing to any person which is not an Authorised Credit Provider (other than Financial Indebtedness owing by any member of the Security Group to any person under any loan, debenture, guarantee or otherwise granted to any creditor subordinated to the Borrower Secured Creditors whether pursuant to the STID or any other deed of subordination on terms satisfactory to the Borrower Security Trustee);

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| Non-Base Currency | a currency other than pounds sterling; |
| Non-exempt Offer | an offer made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State; |
| NSS or New Safekeeping Structure | the new safekeeping structure for registered global securities which are intended to constitute eligible collateral for Eurosystem monetary policy operations; |
| Obligor | any of GAL and the Security Parent and Obligors means all of them; |
| Obligor Accounts | the Operating Accounts and any Borrower Hedge Collateral Accounts, and Obligor Account means any of them; |
| Official List | the official list of the UKLA referenced in section 103 of FSMA; |
| OFT | the Office of Fair Trading; |
| Ongoing Facility Fee | the ongoing facility fee payable by the Borrower pursuant to subclause 13.5(c) (<i>Fees Generally</i>) and subject to any rebate under subclause 13.5(d) (<i>Fees Generally</i>), of the relevant Borrower Loan Agreement; |
| Operating Account | the account of the Borrower with the following title: "Gatwick Trading Account", held at the Borrower Account Bank and any sub-account or sub-accounts relating to those accounts including any operating account denominated in a currency other than sterling and any replacement account or accounts from time to time; |
| Order | the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; |
| Ordinary Voting Matters | are matters which are not Discretion Matters or Extraordinary Voting Matters; |
| Original ACF Lenders | those financial institutions listed in part 2 (<i>Original ACF Lenders</i>) of schedule 11 (<i>Financial Institutions</i>) to the Common Terms Agreement; |
| Other Parties | the Arranger, any Dealer, the Bond Trustee, the Issuer Security Trustee, the Borrower Security Trustee, the |

Issuer Hedge Counterparties, the Liquidity Facility Agent, the Initial Liquidity Facility Providers, the Initial ACF Agent, the Initial ACF Arrangers, the Agents, the Issuer Account Bank, the Borrower Account Bank, the UK Corporate Administration Provider, the Jersey Corporate Administration Provider or the members of the Borrower Group (other than the Issuer and the Obligors);

outstanding

in relation to the Bonds, all of the Bonds issued other than;

- (a) those Bonds which have been redeemed in full or purchased, and cancelled, in accordance with Condition 7 (*Redemption, Purchase and Cancellation*) or otherwise under the Bond Trust Deed;
- (b) those Bonds in respect of which the date for redemption in full in accordance with the Conditions has occurred and the redemption monies for which (including all interest payable thereon) have been duly paid to the Bond Trustee or to the Principal Paying Agent or a Registrar in the manner provided in the Agency Agreement (and, where appropriate, notice to that effect has been provided or published in accordance with Condition 16 (*Notices*)) and remain available for payment against presentation of the relevant Bonds and/or Coupons and/or Receipts;
- (c) those Bonds which have become void or, in respect of which claims have become prescribed in each case, under Condition 12 (*Prescription*);
- (d) in the case of Bearer Bonds, those mutilated or defaced Bonds which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 13 (*Replacement of Bonds, Coupons, Receipts and Talons*);
- (e) in the case of Bearer Bonds, for the purpose only of ascertaining the Principal Amount Outstanding of the Bonds and without prejudice to the status, for any other purpose, of the relevant Bonds, those Bonds which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 13 (*Replacement of Bonds, Coupons, Receipts and Talons*);
- (f) the Temporary Bearer Global Bonds to the extent that they have been exchanged for

Permanent Bearer Global Bonds or Definitive Bonds pursuant to the provisions contained therein and in clause 3 (*Forms of the Bonds and Coupon*) of the Bond Trust Deed;

- (g) the Permanent Bearer Global Bonds that remain in escrow pending exchange of the Temporary Bearer Global Bonds therefor, pursuant to the provisions contained therein and in clause 3 (*Forms of the Bonds and Coupon*) of the Bond Trust Deed;
- (h) the Permanent Bearer Global Bonds to the extent that they have been exchanged for Definitive Bonds, pursuant to the provisions contained therein and in clause 3 (*Forms of the Bonds and Coupon*) of the Bond Trust Deed; and
- (i) the Bearer Bonds to the extent that they have been exchanged for Registered Bonds pursuant to the provisions contained therein and in clause 3 of the Bond Trust Deed.

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the Bondholders;
- (ii) the determination of how many and which Bonds are for the time being outstanding for the purposes of clause 20 (*Waiver, Authorisation and Determination*) of the Bond Trust Deed and schedule 6 (*Provisions for Meetings of Bondholders*) to the Bond Trust Deed, clause 16.1 (*Scope of Entrenched Rights*) of the STID, and Conditions 10 (*Bond Events of Default*), 11 (*Enforcement Against Issuer*), 14 (*Meetings of Bondholders, Modification, Waiver and Substitution*), and 15 (*Bond Trustee Protections*);
- (iii) any discretion, power or authority contained in the Bond Trust Deed which the Bond Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of any of the Bondholders;
- (iv) the determination by the Bond Trustee whether any of the events specified in Condition 10 (*Bond Events of Default*) is materially prejudicial to the interests of the holders of the Most Senior Class of Bonds then outstanding;

(A) those Bonds of the relevant Class or Sub-Class (if any) which, for the time being, are held by the Issuer, any member of the Security Group, or any of their respective holding companies (or any Affiliate of any such person) or by any person for the benefit of the Issuer, any member of the Security Group or any of their respective holding companies (or any Affiliate of any such person) shall (unless and until ceasing to be so held) be deemed not to remain outstanding and (B) any amounts due in respect of Subordinated Step-Up Fee Amounts in respect of a Class of Bonds shall be disregarded;

Outstanding Principal Amount

- (a) in respect of any Authorised Credit Facilities that are loans, the principal amount (or the Equivalent Amount) of any drawn amounts that are outstanding or committed under such Authorised Credit Facility;
- (b) in respect of each Cross Currency Hedging Agreement, the Equivalent Amount (representing the mark-to-market value of any transaction or transactions arising under such Cross Currency Hedging Agreement) of the amount (if any) that would be payable to the relevant Cross Currency Hedge Counterparty if an early termination date was designated on the date referred to below in respect of the transaction or transactions arising under the relevant Cross Currency Hedging Agreement pursuant to the ISDA Master Agreement governing such transaction or transactions and subject to schedule 5 (*Hedging Policy and Overriding Provisions Relating to Hedging Agreements*) to the Common Terms Agreement and which are closed out at such time;
- (c) in respect of any other Borrower Secured Liabilities, the Equivalent Amount of the outstanding principal amount of such debt on such date in accordance with the relevant Finance Document,

on the date on which the Qualifying Borrower Secured Creditors have been notified of a STID Voting Request, an Enforcement Instruction Notice, a Further Enforcement Instruction Notice, a BSC Instruction Notice or a Direction Notice or on such other date that the same falls to be determined, as the case may be, all as most recently certified or notified to the Borrower Security Trustee, where applicable, pursuant to clause 10.2 (*Notification of Outstanding Principal Amount of Qualifying Borrower Debt*) of the STID;

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| Par Redemption Amount | an amount equal to the Principal Amount Outstanding on the Call Protected Floating Rate Bonds of any Sub-Class or the relevant portion thereof available for redemption, plus accrued but unpaid interest on the Principal Amount Outstanding or the relevant portion thereof available for redemption to (but excluding) the date of redemption; |
| Participants | Direct and Indirect Participants taken together; |
| Participating Member State | a member state of the European Union that adopts or has adopted the euro as its lawful currency under the legislation of the European Community for European Monetary Union; |
| Participating QBS Creditors | the Qualifying Borrower Secured Creditors which participate in a vote on any STID Proposal or other matter pursuant to the STID; |
| Partly Paid Bonds | any Bonds that have not been fully paid up; |
| Party | in relation to a Finance Document, a party to such Finance Document; |
| Paying Agents | in relation to all or any Sub-Classes of the Bonds, the several institutions (including, where the context permits, the Principal Paying Agent and/or the Registrar) at their respective specified offices initially appointed as paying agents in relation to such Bonds by the Issuer pursuant to the Agency Agreement and/or, if applicable, any Successor paying agents at their respective specified offices in relation to all or any Sub-Classes of the Bonds; |
| Payment Date | each date on which a payment is made or is scheduled to be made by an Obligor in respect of any obligations or liability under any Authorised Credit Facility; |
| Permanent Bearer Global Bond | a global bond in the form or substantially in the form set out in part 2 (<i>Form of Permanent Bearer Global Bond</i>) of the schedule 2 (<i>Form of Bonds, Receipts, Coupons and Talons</i>) to the Bond Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), together with the copy of the applicable Final Terms annexed thereto, comprising some or all of the Bearer Bonds of the same Class or Sub-Class, issued by the Issuer pursuant to the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and these presents either on issue or in exchange for the whole or part of any Temporary Bearer Global Bond issued in respect of such Bearer Bonds; |

Permitted Business

(a) the business of owning, operating and developing Gatwick undertaken by the Obligors as carried on at the Establishment Date (including the provision of facilities for and connected with aeronautical activities, including retail, car parks, surface transport, advertising, property development, letting and management) and

(b) (i) any business undertaken by the Obligors the revenues from which:

(A) would be brought into account by the applicable Regulator for the purpose of imposing price caps pursuant to Section 40(4) of the Airports Act or any other applicable statutory provision in relation to Gatwick; or

(B) the Obligors reasonably believe would have been brought into account by the applicable Regulator, according to the rules and policies applied by such Regulator as at the Establishment Date, for the purpose of imposing price caps pursuant to Section 40(4) of the Airports Act or any other applicable statutory provision in relation to Gatwick notwithstanding that at the time of undertaking such business Gatwick is no longer subject to regulation or is subject to rules and policies of regulation different from those which applied to Gatwick or those revenues as at the Establishment Date; and

(ii) any other business approved or consented to by the Borrower Security Trustee;

Permitted Financial Indebtedness in the case of:

(a) the Borrower or the Issuer, that the Borrower or the Issuer will be permitted to incur or allow to remain outstanding only the following financial indebtedness after the Establishment Date:

(i) Financial Indebtedness to the extent of the issue by the Issuer of further series and tranches of Bonds and under the subsequent advance under the Borrower

Loan Agreement;

- (ii) Financial Indebtedness under ACFs the providers of which have acceded to the Common Terms Agreement and the STID,

which, in either case (above), will not result in a breach of the Additional Indebtedness Tests;

- (iii) any Financial Indebtedness arising under Treasury Transactions to which the Borrower and/or the Issuer is a party and Borrower Hedging Agreements and Issuer Hedging Agreements, in each case entered into in accordance with the Hedging Policy and, on or prior to the Initial Issue Date, any Hedging Agreement (as defined in the Existing Facilities Agreement);
- (iv) any Financial Indebtedness pursuant to such other arrangements as have been approved by the Qualifying Borrower Secured Creditors by way of an Extraordinary Voting Matter;
- (v) the amount of any liability under an advance or deferred purchase agreement if either (A) one of the primary reasons behind entering into the agreement is to raise finance or (B) the relevant payment is advanced or deferred for a period in excess of 90 days; and
- (vi) any overdraft owing to any bank, up to a maximum aggregate amount at any time of an amount up to 0.5% of RAB net of all current account balances held with such bank (it being understood that the provider(s) of any such overdraft will not be required to accede to the STID);
- (vii) any Financial Indebtedness under any finance leases, up to a maximum aggregate capitalised amount of 0.5% of RAB (such finance lessor in respect of such finance leases shall not be required to accede to the STID); and
- (viii) any Financial Indebtedness arising in the ordinary course of business of the Borrower under any standby letter of credit facility or similar ancillary

facility up to a maximum aggregate amount at any time of up to 0.5% of RAB;

- (ix) Financial Indebtedness incurred under a Liquidity Facility Agreement;
 - (x) in the case of the issue of Class B Bonds, if the Borrower has first obtained a Ratings Confirmation in respect of the Class A Bonds then outstanding;
 - (xi) Financial Indebtedness incurred under a Permitted Secured Guarantee, provided that the aggregate value of all such Permitted Secured Guarantees does not exceed the Permitted Secured Guarantee Maximum Amount;
 - (xii) Financial Indebtedness of any person acquired by a member of the Security Group after the Establishment Date which is incurred under arrangements in existence at the date of acquisition, but not incurred or increased or having its maturity date extended in contemplation of, or since, that acquisition, and outstanding only for a period of 60 days following the date of acquisition;
 - (xiii) the provision of cash collateral by the Borrower which falls within paragraph (c) of the definition of Capex Independent LC Arrangements in clause 1.1 of the Initial Authorised Credit Facility Agreement and the grant of a Security Interest or Quasi-Security over such cash collateral; or
 - (xiv) on or prior to the Initial Issue Date, Financial Indebtedness under the Existing Facilities Agreement; and
- (b) an Obligor (including, for the avoidance of doubt, the Borrower), that the relevant Obligor will be permitted to incur or to allow to remain outstanding only the following financial indebtedness after the Establishment Date:
- (i) any Financial Indebtedness constituted by the guarantee of the Borrower's obligations under the Borrower Loan Agreements, the Capex Facility, the

Revolving Facility, the Term Facility and any other ACF;

- (ii) in respect of any Financial Indebtedness owed to any other Obligor;
- (iii) in respect of any Financial Indebtedness under any Subordinated Intragroup Liabilities;
- (iv) any Bankers Automated Clearing System indebtedness owed to any bank of which it is a customer and which provides payment clearing services to it;
- (v) the amount of any liability under an advance or deferred purchase agreement if either (A) one of the primary reasons behind entering into the agreement is to raise finance or (B) the relevant payment is advanced or deferred for a period in excess of 90 days;
- (vi) any Permitted Second Lien Guarantee, subject to the Borrower first obtaining a Ratings Confirmation; and
- (vii) on or prior to the Initial Issue Date, Financial Indebtedness under the Existing Facilities Agreement;

Permitted Hedge Termination the termination of a Hedging Agreement in accordance with the provisions of schedule 5 (Hedging Policy and Overriding Provisions Relating to Hedging Agreements) to the Common Terms Agreement;

Permitted Inter-Company Loan any loan contemplated or referred to in the Reorganisation Steps;

Permitted Non-Regulated Business Limits in respect of all businesses which are not or are not expected to be or have never been or were never expected to be Permitted Businesses, that the average of any expenses incurred by the Borrower in connection with such businesses during the current Relevant Period and the immediately two preceding Relevant Periods does not exceed 2% of RAB;

Permitted Second Lien Guarantee those amounts under a secured guarantee granted by any Obligor in favour of a Second Lien Creditor;

Permitted Secured Guarantee those amounts under a secured guarantee granted by any Obligor in favour of a Permitted Secured Guarantee Beneficiary;

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| Permitted Secured Guarantee Beneficiary | any party who is owed amounts by the Obligors under any Permitted Secured Guarantee and Permitted Secured Guarantee Beneficiaries means all of them; |
| Permitted Secured Guarantee Liabilities | the amounts owed by the Obligors to the Permitted Secured Guarantee Beneficiaries under any Permitted Secured Guarantee; |
| Permitted Secured Guarantee Maximum Amount | the aggregate amount payable to the Permitted Secured Guarantee Beneficiaries from the proceeds of realisation or enforcement of all or part of the Borrower Security which shall not exceed £40 million; |
| Permitted Transaction | means: <ul style="list-style-type: none"> (a) any disposal required, Financial Indebtedness incurred, guarantee, indemnity or Security or Quasi-Security given, or other transaction arising or permitted under the Finance Documents; (b) any payments or other transactions expressly contemplated in the Reorganisation Steps; and (c) any other transaction approved or consented to by the Borrower Security Trustee; |
| Permitted Variances | in respect of the Borrower, the difference between: <ul style="list-style-type: none"> (a) the amount of regulatory capital expenditure actually incurred by the Borrower in the regulatory year immediately preceding the next price determination for the Borrower and the amount of regulatory capital expenditure assumed by the Regulator to be incurred by the Borrower during such regulatory year as at the date that the regulatory asset base, published by the Regulator for the regulatory year immediately following such price determination, is effective; (b) the net proceeds from disposals of regulatory assets actually achieved by the Borrower in the regulatory year immediately preceding the next price determination for the Borrower and the amount of the net proceeds from disposals of regulatory assets assumed by the Regulator to be achieved by the Borrower during such regulatory year as at the date that the regulatory asset base, published by the Regulator for the regulatory year immediately following such price determination, is effective; (c) the actual outcome in respect of any other item in the regulatory year immediately preceding |

the next price determination for the Borrower and the amount specifically assumed by the Regulator to be the outcome for such regulatory year as at the date that the regulatory asset base, published by the Regulator for the regulatory year immediately following such price determination, is effective,

in each case as certified by two directors (one of which being the Chief Financial Officer) of the Borrower in each Compliance Certificate in respect of which the Calculation Date for such Compliance Certificate falls in the regulatory year following the price determination for the Borrower and setting out the amount of each adjustment and the basis therefore;

Plan

the Gatwick Airport Pension Plan;

Potential Bond Event of Default

any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination (in each case where the lapse of time and/or giving of notice and/or determination is provided for in the terms of such Bond Event of Default, and assuming no intervening remedy), will become a Bond Event of Default;

Potential Loan Event of Default

any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination (in each case where the lapse of time and/or giving of notice and/or determination is provided for in the terms of such Loan Event of Default, and assuming no intervening remedy), will become a Loan Event of Default;

Preceding Business Day Convention

has the meaning given to it in Condition 5(b) (*Business Day Convention*);

Pre-hedges

derivative instruments such as forward starting interest rate swap transactions and/or inflation rate swap transactions with an effective date no later than 24 months from the date of entry into such Treasury Transaction, in respect of Financial Indebtedness which is projected to be incurred within 24 months from the date of entry into such Treasury Transactions and which would not, on the basis of the most recent projections of the Security Group, be projected to breach the Additional Indebtedness Tests at the projected date of incurrence;

Principal Amount Outstanding

in relation to a Bond, Sub-Class or Class, the original face value thereof less any repayment of principal made to the holder(s) thereof in respect of such Bond, Sub-Class or Class;

Principal Paying Agent

Deutsche Bank Trust Company Americas (or its

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| | Successors thereto) as principal paying agent appointed under the Agency Agreement; |
| Programme | the £5,000,000,000 multicurrency bond programme established by the Issuer admitted to the Official List and authorised to trade on the London Stock Exchange, or Gatwick's Capital Investment Programme, depending on the context; |
| Projected Excess Cashflow | for the Relevant Period means the Borrower's projection as to the amount of surplus cash that, absent a Trigger Event, will be available to pay Restricted Payments in respect of the Relevant Period; |
| Prospectus | any prospectus relating to the Bonds prepared in connection with the Programme and constituting (in the case of Bonds to be listed on a Stock Exchange), to the extent specified in it, a base prospectus for the purposes of Article 5.4 of the Prospectus Directive as revised, supplemented or amended from time to time by the Issuer and, in relation to each Tranche of Bonds, the applicable Final Terms shall be deemed to be included in the Prospectus; |
| Prospectus Directive | Directive 2003/71/EC as amended by Directive 2010/73/EU; |
| Q4 | the previous quinquennium which ran from 2003 to 2008; |
| Q5 | the current quinquennium which runs from 2008 to 2014; |
| Q6 | the next quinquennium which will run from 2014 to 2018; |
| QIBs | "qualified institutional buyers" within the meaning of Rule 144A; |
| QP | a "qualified purchaser" within the meaning of the Section 2(a)(51) of the Investment Company Act and the rules and regulations thereunder; |
| QSM | Quality of Services Monitor, which provides a measure of passenger satisfaction with certain airport services and facilities (i.e. cleanliness, ease of wayfinding, flight information and seating); |
| Qualified Institutional Buyer or QIB | a "qualified institutional buyer" within the meaning of Rule 144A; |
| Qualifying Borrower Debt | has the meaning given to it in subclause 10.1(c) of the STID; |
| Qualifying Borrower Junior | each Borrower Secured Creditor to which the relevant |

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| Creditor | Qualifying Borrower Junior Debt is owed; |
| Qualifying Borrower Junior Debt | means: <ul style="list-style-type: none"> (a) the principal amount outstanding under the Borrower Loan Agreements corresponding to the Class B Bonds; (b) the principal amount outstanding under the Initial Facilities at such time to the extent that such amount is designated as Junior Debt (ranking <i>pari passu</i> with other Junior Debt); (c) the amount owed by the Borrower to the Issuer in respect of the mark-to-market value of any transaction or transactions arising under Cross Currency Hedging Agreements in respect of the Class B Bonds to the extent that such value represents an amount which would be payable to the relevant Cross Currency Hedge Counterparties if an early termination date was designated at such time in respect of such transaction or transactions and which are closed out at such time; (d) the mark-to-market value of any transaction or transactions arising under Cross Currency Hedging Agreements between a Cross Currency Hedge Counterparty and the Borrower to the extent that such value represents an amount which would be payable to the relevant Cross Currency Hedge Counterparties if an early termination date was designated at such time in respect of such transaction or transactions and which are closed out at such time; (e) the principal amounts outstanding under any other Authorised Credit Facility at such time ranking <i>pari passu</i> with the above; |
| Qualifying Borrower Second Lien Creditors | each Borrower Secured Creditor to which the relevant Second Lien Debt is owed; |
| Qualifying Borrower Second Lien Secured Creditor | each Borrower Secured Creditor to which the relevant Second Lien Debt is owed; |
| Qualifying Borrower Secured Creditors | has the meaning given to it in subclause 10.1(c) (<i>Relationship between Qualifying Borrower Senior Debt and Qualifying Borrower Junior Debt</i>) of the STID; |
| Qualifying Borrower Senior Creditor | each Borrower Secured Creditor to which the relevant Qualifying Borrower Senior Debt is owed; |
| Qualifying Borrower Senior Debt | at the relevant time: |

- (a) the principal amount outstanding under the Borrower Loan Agreements corresponding to the Class A Bonds;
- (b) the amount that would be owed by the Borrower to the Issuer equal to and in respect of the Outstanding Principal Amount of any transaction or transactions arising under Cross Currency Hedging Agreements in respect of the Class A Bonds;
- (c) the Outstanding Principal Amount of any transaction or transactions arising under Cross Currency Hedging Agreements between a Cross Currency Hedge Counterparty and the Borrower;
- (d) the principal amount outstanding or committed under the Initial Authorised Credit Facility Agreement at such time to the extent that such amount is designated as Senior Debt (ranking *pari passu* with other Senior Debt);
- (e) the principal amounts outstanding or committed under any other Authorised Credit Facility at such time ranking *pari passu* with the above;

Quasi-Security

a transaction or arrangement entered into primarily as a method of raising Financial Indebtedness or of the financing of the acquisition of an asset whereby an Obligor purports to:

- (a) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by an Obligor or any other member of the Security Group;
- (b) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
- (c) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
- (d) enter into any other preferential arrangement having a similar effect;

quinquennium

a period of five years, running between years of review by the CAA;

Quorum Requirement

means:

- (a) in relation to an Ordinary Voting Matter, the percentage set forth in clause 14.2 (*Quorum*

Requirement) of the STID;

- (b) in relation to an Extraordinary Voting Matter, the percentages set forth in clause 15.2 (*Quorum Requirement for an Extraordinary Voting Matter*) of the STID; and
- (c) in relation to an Enforcement Instruction Notice, a Further Instruction Notice and a Direction Notice, the percentage set forth in clause 18.3 (*Quorum and voting requirements in respect of an Enforcement Instruction Notice and a Further Enforcement Instruction Notice*) of the STID;

RAB or Regulatory Asset Base in respect of the Borrower as at any date, the sum of (a) the Regulatory RAB as at such date and (b) the Transfer RAB as at such date;

RAB-Eligible Capex any Capital Expenditure which the Borrower reasonably expects to be brought into account by the relevant Regulator in the RAB as at the following Review Date;

Rate Hedging Agreement any Hedging Agreement with a Hedge Counterparty in respect of any interest rate hedging or inflation or inflation-linked transaction;

Rating Agencies those rating agencies which are mandated by the Issuer and which are from time to time providing ratings for the Bonds issued by the Issuer, which as of the date of this Prospectus are S&P and Fitch;

Rating Agency Criteria the criteria set out in:

- (a) the publication entitled "Fitch Ratings: Structured Finance – Counterparty Criteria for Structured Finance Transactions" dated 22 October 2009 taking into account any replacement of, or amendments or supplements to, such criteria after its date of publication; and
- (b) the S&P publication entitled "Counterparty and Supporting Party Obligations, Methodology and Assumptions" dated 6 December 2010, taking into account any replacement of, or amendments or supplements to, such criteria after its date of publication.

Ratings Confirmation in respect of a proposed action means a confirmation in writing by the relevant Rating Agencies mandated by the Issuer from time to time (who give such Ratings Confirmations as a part of their mandate), in respect of each class of the relevant Bonds, to the effect that the then ratings on such class of Bonds would not be reduced below the lower of (a) the credit ratings of such

Bonds as at their Issue Date or (b) the then current credit ratings (before the proposed action);

Receiptholders

has the meaning given to it in the Conditions;

Receipts

a receipt attached on issue to a Definitive Bond redeemable in instalments for the payment of an instalment of principal and includes any replacements for Receipts and Talons issued pursuant to Condition 13 (*Replacement of Bonds, Coupons, Receipts and Talons*);

Receiver

any receiver, manager, receiver and manager or administrative receiver who (in the case of an administrative receiver) is a qualified person in accordance with the Insolvency Act 1986 and who is appointed:

- (a) by the Borrower Security Trustee under the Security Documents in respect of the whole or any part of the Borrower Security; or
- (b) by the Issuer Security Trustee under the Issuer Deed of Charge in respect of the whole or any part of the Issuer Security;

Record Date

has the meaning given to it in Condition 8(b) (*Registered Bonds*);

Redemption Amount

the amount provided under Condition 7(d) (*Optional Redemption*), unless otherwise specified in the relevant Final Terms;

Redemption Date

the date on which all required interest payments are due on the Bonds (excluding accrued but unpaid interest to the date on which the Bonds are to be redeemed);

Redemption Rate

the sum of the Relevant Swap Mid Curve Rate and 0.50% per annum or, if it is not possible to determine the Relevant Swap Mid Curve Rate, the sum of such rate as may be approved by the Bond Trustee and 0.50% per annum;

Redenomination Date

the date, being an Interest Payment Date under the Bonds, falling on or after the date on which the UK becomes a Participating Member State;

Reference Banks

- (a) in relation to the Bonds, has the meaning given to such term in Condition 5(i) (*Definitions*);
- (b) in relation to the Liquidity Facility Agreement means the principal London offices of the Initial Liquidity Facility Providers or such banks as may be appointed as such by the Liquidity Facility Agent after consultation with the Borrowers and the Liquidity Facility Providers;

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| Reference Date | has the meaning, as context requires, given to it in Condition 7(d)(i) (<i>Optional Redemption</i>); |
| Reference German Bund Dealer | any dealer of German Bundesanleihe securities appointed by the Financial Adviser; |
| Reference German Bund Dealer Quotations | with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Financial Adviser of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Financial Adviser by such Reference German Bund Dealer at or about 3.30 pm (Frankfurt, Germany time) on the Reference Date; |
| Reference Gilt | the United Kingdom Government Stock specified as such in the relevant Final Terms for so long as such stock is in issue, and thereafter such issue of index-linked United Kingdom Government Stock whose duration most closely matches the average life of the relevant Indexed Bonds determined to be appropriate by an indexation advisor; |
| Reference Price | has the meaning given to it in the relevant Final Terms; |
| Register | has the meaning given to it in sub-clause 10.2(a) of the Agency Agreement; |
| Registered Bonds | those Bonds which are for the time being in registered form; |
| Registered Definitive Bond | a Registered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and these presents either on issue or in exchange for a Registered Global Bond or part thereof (all as indicated in the applicable Final Terms), such Registered Definitive Bond being in the form or substantially in the form set out in part 8 of the schedule 2 to the Bond Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and having the Conditions endorsed thereon or, if permitted by the relevant Stock Exchange, incorporating the Conditions by reference as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and having a Form of Transfer endorsed thereon; |
| Registered Global Bond | a Regulation S Global Bond and/or a Rule 144A Global Bond, as the context may require; |

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| Registrar | Deutsche Bank Trust Company Americas as registrar under the Agency Agreement and any other entity appointed as a registrar under the Agency Agreement; |
| Regulation S | Regulation S under the Securities Act; |
| Regulation S Global Bond | a registered global note in the form or substantially in the form set out in part 7 of the schedule 2 to the Bond Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), together with the copy of the applicable Final Terms annexed thereto, comprising some or all of the Registered Bonds of the same Class or Sub-Class sold to non-US persons outside the United States in reliance on Regulation S under the Securities Act, issued by the Issuer pursuant to the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Bond Trustee; |
| Regulators | the CAA and the Competition Commission, and any other additional or replacement governmental authority which may from time to time regulate the Borrower's businesses or who promulgates regulations with which the Borrower is required to comply; |
| Regulatory Accounts | the financial information of the Borrower prepared in the form required (for so long as it is required) by the "accounts condition" to the Borrower's permission to levy airport charges; |
| Regulatory Period | the period in respect of which the maximum charges to airport users are fixed by (currently) the Civil Aviation Authority (currently a five year period); |
| Regulatory RAB | means: <ul style="list-style-type: none"> (a) in respect of the calculation of "Senior RAR", the Carpark Asset Value plus the regulatory asset base of the Borrower as set out in the latest published Regulatory Accounts plus cumulative regulatory capital expenditure spent or to be spent by the Borrower to the last date used in the Relevant Period for testing the relevant financial ratio plus indexation to the last date used in the Relevant Period for testing the relevant financial ratio less (i) regulatory depreciation (as adjusted for indexation) to the last date used in the Relevant Period for testing the relevant financial ratio and (ii) (A) the net proceeds forecast to be received from any disposal of regulatory assets to the last date used in the Relevant Period for testing the relevant financial ratio or (B), where such |

amount differs, the amount the Borrower reasonably expects the Regulator to apply in reduction of the Borrower's regulatory asset base as a consequence of such projected disposal; or

- (b) in any other case, the Carpark Asset Value plus the regulatory asset base of the Borrower as set out in the latest published Regulatory Accounts plus cumulative regulatory capital expenditure spent by the Borrower to the relevant Calculation Date plus indexation to the relevant Calculation Date less (i) regulatory depreciation (as adjusted for indexation) to the relevant Calculation Date and (ii) the net proceeds received (or due to be received) from any disposal of regulatory assets on or before the relevant Calculation Date;

provided that:

- (i) the regulatory asset base of the Borrower shall be the regulatory asset base after any profiling (as adjusted for indexation) that may be applied by the Regulator in accordance with the most recent price determination for the Borrower;
- (ii) if the opening regulatory asset base for the Borrower as specified in the Regulatory Accounts for the first regulatory year is not equal to the regulatory asset base published by the Regulator as the opening regulatory asset base for that regulatory year, the Regulatory RAB shall be determined not by reference to the regulatory asset base published in the Regulatory Accounts but instead by reference to the opening regulatory asset base published by the Regulator as adjusted by the Borrower for any Permitted Variances;
- (iii) if any Regulator has stated in any correspondence or other communication with the Borrower that any capital expenditure which the Borrower in its Regulatory Accounts has accounted for or expects will be accounted for as regulatory capital expenditure will not be included in the regulatory asset base of the Borrower for the start of the regulatory year immediately following the next price determination, the

amount of such regulatory capital expenditure shall be excluded as part of the calculation of the Regulatory RAB;

- (iv) if any Regulator has stated in any correspondence or other communication with the Borrower that the aggregate amount it will apply as a deduction from the regulatory asset base of the Borrower for the start of the regulatory year immediately following the next price determination on account of disposals of regulatory assets will differ from the aggregate amount of deductions from the regulatory asset base of the Borrower accounted for by the Borrower as a consequence of disposals of regulatory assets in its Regulatory Accounts, the amount by which the Regulator's deduction exceeds or is less than the amount deducted by the Borrower from its regulatory asset base in its Regulatory Accounts shall be deducted from (in the case of an excess) or added to (in the case of any shortfall) the regulatory asset base as part of the calculation of Regulatory RAB; and
- (v) if the Auditors qualify their statement of opinion in relation to any regulatory capital expenditure included by the Borrower in the regulatory asset base of the Borrower as specified in the Regulatory Accounts, the amount of the regulatory capital expenditure to which such qualification relates shall be excluded as part of the calculation of the Regulatory RAB;

Relevant Currency

the currency specified as such in the relevant Final Terms or, if none is specified, the currency in which the Bonds are denominated;

Relevant Debt

(without double counting) the aggregate, at the time, of the outstanding:

- (a) Qualifying Borrower Senior Debt, excluding for these purposes any mark-to-market value of any transactions under Cross Currency Hedging Agreements and the principal amount outstanding under the Revolving Facility at such time;

(b) Qualifying Borrower Junior Debt, excluding for these purposes any mark-to-market value of any transactions under Cross Currency Hedging Agreements;

(c) the Principal Amount Outstanding under the Class A Bonds; and

(d) the Principal Amount Outstanding under the Class B Bonds.

provided that for the purposes of calculating Relevant Debt only, non-sterling denominated debt shall be deemed to be converted to sterling at the rate specified in the relevant Cross-Currency Hedging Agreement related to the relevant non-sterling denominated debt.

Relevant EBITDA

earnings before interest, tax, depreciation and amortisation and pre-exceptional costs (revenues minus expenses) in respect of the business of the Borrower which was brought into account or not expressly disallowed by the CAA for any price determination published by the Regulator for the Borrower for the purpose of imposing price caps pursuant to section 40(4) of the Airports Act but which ceases to be brought into account or is expressly disallowed for such purpose;

Relevant Financial Centre

with respect to any Bond, the financial centre specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the Relevant Rate is most closely connected as determined by the Agent Bank (or the Calculation Agent, if applicable);

Relevant Implementation Date

the date on which the Prospectus Directive is implemented by a Relevant Member State;

Relevant Interest Rate

the rate of interest for deposits in the currency of the relevant Bonds and of a duration equal to the length of the Interest Period (other than the first or last Interest Period, if different) of the relevant Bonds as determined as at or about the time for determining the interest rate quotations in the currency of the relevant Bonds in accordance with market practice on the Reference Date by reference to the Reuters screen (if the relevant Bonds are denominated in sterling) LIBOR01, (if the relevant Bonds are denominated in euro) EURIBOR01 or (if the relevant Bonds are denominated in a currency other than sterling or euro) specified in the relevant Final Terms or such other page as may replace such page or, if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Bond Trustee) as may replace the Reuters screen;

Relevant Member State each Member State of the European Economic Area which has implemented the Prospectus Directive;

relevant month any month in relation to the Index Figure which is required to be taken into account for the purposes of the determination of the Index Figure;

Relevant Multiple the multiple determined by dividing the Relevant Transfer Value by the sum of the Relevant EBITDA for the three financial years of the Borrower prior to the Relevant Transfer Date as determined by reference to the audited financial statements of the Borrower for such financial years divided by three;

Relevant Period in respect of,

- (a) any Calculation Date which falls in the month of March:
 - (i) the period of 12 months ending on that Calculation Date in March;
 - (ii) the period of 12 months starting on that Calculation Date in March; and
 - (iii) each of the two subsequent 12 month periods immediately following the end of the period referred to in (ii) above, or
- (b) any Calculation Date which falls in a month other than March:
 - (i) the period of 12 months ending on that Calculation Date;
 - (ii) the period of time (in months) to 31 March in the next subsequent calendar year; and
 - (iii) each of the two subsequent 12 month periods immediately following the end of the period referred to in (ii) above,

and the first Relevant Period was the 12 month period ending on 31 March 2011;

relevant persons all persons to whom the Prospectus is being directed, such persons being persons who (i) are outside the UK or (ii) are persons who have professional experience in matters relating to investments falling within Article 19(1) of the Order or (iii) are high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(1) of the Order;

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| Relevant Rate | the offered rate for a Representative Amount of the Relevant Currency for a period (if applicable) equal to the Specified Duration (or such other rate as shall be specified in the relevant Final Terms); |
| Relevant Screen Page | has the meaning given to it in Condition 5(j) (Definitions); |
| Relevant Swap Mid Curve Rate | the mid-point of the bid-side and offer-side rates for the fixed leg of a hypothetical interest rate swap with a notional profile equal to the interest profile applicable to the relevant Sub-Class of Bonds to be redeemed to (but excluding) the Scheduled Redemption Date, with the same payment dates as the relevant Bonds, against a floating leg of the Relevant Interest Rate, with no spread, where such hypothetical interest rate swap is between two highly-rated (AA- or equivalent or higher) and fully collateralised market counterparties (the Relevant Swap Mid Curve Rate shall be determined by a financial adviser (nominated by the Issuer and approved by the Bond Trustee) using its standard valuation methodology (as at the date of calculation) as at or about the time for determining the interest rate quotation in the currency of the relevant Bonds in accordance with market practice on the Reference Date; |
| Relevant Time | with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offer rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre; |
| Relevant Transfer Date | the first date from which a business of the Borrower which was brought into account by the CAA for the price determination for any Regulatory Period for the purpose of imposing price caps pursuant to Section 40(4) of the Airports Act ceases to be brought into account for such purpose; |
| Relevant Transfer Value | in respect of any business of the Borrower which was brought into account by the CAA for the price determination for any Regulatory Period for the purpose of imposing price caps pursuant to Section 40(4) of the Airports Act and which ceases to be brought into account for such purpose, unless and until a transfer value has been published by the CAA for such business representing the reduction in the regulatory asset base of the Borrower as determined by the CAA, the transfer value attributed by the Borrower to such business in its most recent Regulatory Accounts and, following publication by the CAA of a transfer value for such business, such published transfer value excluding, in either case, the transfer value published by the CAA or |

attributed by the Borrower to any assets which are held by a Joint Venture;

Reorganisation Steps

the Reorganisation and Refinancing Legal Steps Document produced by Slaughter and May dated on the Establishment Date;

Repeated Representations

the representations set out in paragraphs 1 (*Status*) to 4 (*Non-conflict*) inclusive, 6 (*Validity and admissibility in evidence*), 26 (*Centre of Main Interests*) and 30 (*Property*) of schedule 1 (*General Representations*) to the Common Terms Agreement;

Representative Amount

with respect to any rate to be determined on an Interest Determination Date, the amount specified in the relevant Final Terms as such or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time;

Requisite Rating

a minimum long-term rating from each of the Rating Agencies of at least BBB+ or, in each case, such other lower rating which is consistent with the published criteria (relevant for the applicable counterparty) of the relevant Rating Agencies;

Required Redemption Amount

the amount calculated in accordance with the following formula:

$$(RP * P)$$

Where:

RP = the amount of the relevant Restricted Payment made or proposed to be made (excluding (i) any refinancing of or any payments made in respect of any Second Lien Debt which was incurred prior to any such Standby Drawing(s)) and (ii) any Tax payments expressly contemplated by the Reorganisation Steps;

$$P = LC/FCA$$

LC = the aggregate amount of the outstanding Standby Drawings at such time; and

FCA = the Total Commitments.;

Reserved Matter(s)

has the meaning given to it in schedule 3 to the STID;

Reset Date

has the meaning given to it in the ISDA Definitions;

Restricted Payment

(i) any payment under or in respect of any guarantee granted to any creditor subordinated to the Borrower Secured Creditors pursuant to the STID, (ii) any

payment (including any payments of distributions, dividends, bonus issues, return of capital, fees, interest, principal, payments for the surrender of group relief or other amounts whatsoever) (by way of loan or repayment of any loan or otherwise) (in cash or in kind) to any direct or indirect affiliate of an Obligor which is not itself an Obligor or the Issuer (excluding any such payment made on the Initial Issue Date out of part of the proceeds of the initial issuance of Bonds), and (iii) any payment under or in respect of Second Lien Debt, other than:

- (a) payments made pursuant to and in accordance with any contracts entered into with any sponsor in compliance with the covenants set out in the Common Terms Agreement provided that the aggregate value of such payments are no greater than 0.25% of RAB per calendar year;
- (b) payments made pursuant to any Permitted Inter-Company Loan between Obligors; or
- (c) Tax payments expressly contemplated by the Reorganisation Steps;

Restricted Payment Condition

a condition which will be satisfied if:

- (a) no Loan Event of Default or Potential Loan Event of Default is subsisting or would result from the making of the Restricted Payment;
- (b) no Trigger Event is subsisting or would result from the making of the Restricted Payment;
- (c) the Restricted Payment is made within:
 - (i) in respect of a Calculation Date falling in March or September the 90 day period commencing on the date of delivery of the most recent Compliance Certificate or, if later, the date on which any Financial Statements required to be delivered with such Compliance Certificate are delivered;
 - (ii) in respect of a Calculation Date falling in June or December, within the 60 day period commencing on such Calculation Date; or
 - (iii) in respect of a Calculation Date falling on an Issue Date, within the 15 day period commencing on such Calculation Date,

and provided that the most recent Compliance Certificate and any Financial Statements required to be delivered with such Compliance Certificate are delivered within such period and on or prior to the date on which the Restricted Payment is made;

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|--------------------------------|---|
| Reuters | the Reuters Money 3000 Service; |
| Review Date | the date falling at the end of each Regulatory Period from which the regulatory asset base published by the Regulator is effective; |
| Revolving Facility | the revolving loan facility made available under the Initial Authorised Credit Facility Agreement; |
| Revolving Facility Loan | a loan made or to be made under the Revolving Facility or the principal amount outstanding for the time being of that loan; |
| RPI | the Retail Prices Index; |
| RPI+/-X basis | the Retail Prices Index plus or minus an amount; |
| Rule 144A | Rule 144A under the Securities Act (as amended); |
| Rule 144A Bonds | a registered global note in the form or substantially in the form set out in part 7 of schedule 2 of the Bond Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), together with the copy of the applicable Final Terms annexed thereto, comprising some or all of the Registered Bonds of the same Class or Sub-Class sold to Qualified Institutional Buyers in reliance on Rule 144A, issued by the Issuer pursuant to the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Bond Trustee; |
| Rule 144A Global Bond | any Rule 144A Bonds represented by a Global Bond; |
| S&P | Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc. or any successor to the rating business of Standard & Poor's Rating Services. As noted on page iii, Standard & Poor's Credit Market Services Europe Limited, which is established in the European Union and registered under the CRA Regulation, is one of the entities through which Standard & Poor's Rating Services' business operations in the European Union are currently conducted and, as at the date of this Prospectus, the rating of the Bonds will be provided by Standard & Poor's Credit Market Services Europe Limited for the purposes of the CRA Regulation; |

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| SARS | Severe Acute Respiratory Syndrome; |
| Scheduled Redemption Date | has the meaning given to it in Condition 5(j) (<i>Definitions</i>); |
| Screen Rate Determination | has the meaning given to it in Condition 5(c) (<i>Floating Rate Bonds</i>); |
| SEC | United States Securities and Exchange Commission; |
| Second Lien Creditor | each Borrower Secured Creditor to which Second Lien Debt is owed; |
| Second Lien Debt | any Financial Indebtedness incurred by a holding company (direct or indirect) of the Security Parent, the creditors in respect of which have acceded to the STID as Qualifying Borrower Second Lien Secured Creditors; |
| Secured Creditor Representative | the representative of a Borrower Secured Creditor appointed in accordance with clause 9 (<i>Appointment of Representatives</i>) of the STID; |
| Secured Creditors | the Borrower Secured Creditors and the Issuer Secured Creditors; |
| Securities Act | the United States Securities Act of 1933 (as amended); |
| Securitisation Regulations | UK Taxation of Securitisation Companies Regulations 2006; |
| Security Documents | means: <ul style="list-style-type: none"> (a) the Borrower Security Agreement; (b) the Jersey Security Interest Agreement; (c) the STID and each deed of accession thereto, together with any deed supplemental to the STID and referred to in the STID as a "Supplemental Deed"; and (d) any other document evidencing or creating security over any asset of an Obligor to secure any obligation of any Obligor to a Borrower Secured Creditor in respect of the Borrower Secured Liabilities; |
| Security Group | the Security Parent, the Borrower and any other Subsidiary of any member of the foregoing (other than the Issuer) which accedes, inter alia, to the Common Terms Agreement and the STID in accordance with the terms of the Transaction Documents; |
| Security Interest | means: |

- (a) any mortgage, pledge, lien, charge, assignment or hypothecation or other encumbrance securing any obligation of any person;
- (b) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- (c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect;

Security Parent

Ivy Holdco Limited;

Senior Debt

any financial accommodation that is, for the purposes of the STID, to be treated as Senior Debt and includes:

- (a) all Qualifying Borrower Senior Debt;
- (b) all Permitted Secured Guarantee Liabilities;
- (c) the amount owed by the Borrower to the Issuer in respect of the mark-to-market value of any transaction or transactions arising under Hedging Agreements (other than Cross Currency Hedging Agreements) in respect of the Class A Bonds or any Authorised Credit Facility to the extent that such value represents an amount which would be payable to the relevant Hedge Counterparties on an early termination date designated at such time (if any) in respect of such transaction or transactions and which are closed out at such time;
- (d) the mark-to-market value of any transaction or transactions arising under Hedging Agreements (other than Cross Currency Hedging Agreements) between a Hedge Counterparty and the Borrower to the extent that such value represents an amount which would be payable to the relevant Hedge Counterparties on an early termination date designated at such time (if any) in respect of such transaction or transactions and which are closed out at such time;
- (e) the aggregate amount of all accretions by indexation to the notional amount of any inflation-linked Treasury Transactions;

Senior Debt Amount

at the relevant time of calculation, the sum of (i) the Outstanding Principal Amount under the Authorised Credit Facilities which constitutes Senior Debt and (ii)

the Principal Amount Outstanding of the Class A Bonds;

Senior ICR

for any Relevant Period, the ratio of (a) Cashflow from Operations of the Borrower (after adding back any cash outflows of a one-off, non-recurring extraordinary or exceptional nature in respect of the Borrower and excluding extraordinary revenues), less corporation tax paid to HMRC, less two per cent. of RAB to (b) interest, commitment fees and equivalent recurring finance charges (excluding, for the avoidance of doubt, amounts used to repay accretions by indexation to the notional amount of any inflation-linked Treasury Transactions) paid or, in the case of forward looking ratios, forecasted to be paid on Senior Debt, the Liquidity Facility and any Permitted Financial Indebtedness that is not, pursuant to the STID, subordinated to such Senior Debt (less all interest received or, in the case of forward looking ratios, interest forecasted to be received by any Obligor from any third party other than pursuant to a Permitted Inter-Company Loan);

Senior RAR

the ratio of (a) the sum of: (i) Senior Debt (other than amounts committed but not outstanding under an Authorised Credit Facility); plus (ii) amounts drawn on the Liquidity Facility (other than in respect of a Standby Drawing) and amounts drawn from the Liquidity Standby Account; plus (iii) any Permitted Financial Indebtedness incurred pursuant to paragraphs (a)(iv) to (a)(viii) of the definition thereof that is not, pursuant to the STID, subordinated to the Senior Debt; less (iv) amounts held in Authorised Investments or cash in any Borrower Account (excluding any Excluded Cash); to (b) RAB;

Series

a Tranche of Bonds together with any further Classes, Sub-Classes or Tranches of Bonds which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and the expressions **Bonds of the relevant Series, holders of Bonds of the relevant Series** and related expressions shall (where appropriate) be construed accordingly;

Service Quality Regime

Gatwick's specified standards of service (of which QSM and security queuing targets are components) and associated rebates published by the CAA;

Similar Law

any federal, state, local law or non-U.S. law that is substantially similar to the provisions of section 406 of ERISA or section 4975 of the Code;

specified

as the same may be specified in the relevant Final Terms;

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|--|--|
| Specified Currency | subject to any applicable legal or regulatory restrictions, euro, sterling, U.S. dollars and such other currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer, the Principal Paying Agent and the Bond Trustee and specified in the applicable Final Terms; |
| Specified Denominations | has the meaning given to it in the relevant Final Terms; |
| Specified Duration | with respect to any Floating Rate (as defined in the ISDA Definitions) to be determined on an Interest Determination Date, the period or duration specified as such in the relevant Final Terms or, if none is specified, a period of time equal to the relative Interest Period; |
| SQR | Service Quality Regime; |
| SRG | CAA Safety Regulation Group; |
| SSA | the shared services agreement between GAL and BAA when GAL was owned by BAA; |
| Stabilising Manager | the Dealer or Dealers (if any) named as the stabilising manager(s) in connection with the issue of any Tranche of Bonds; |
| Standard Liquidity Loan Drawing | in relation to a Liquidity Loan Drawing, the amount of that Liquidity Loan Drawing multiplied by the proportion that the Liquidity Facility Amount bears to the aggregate of the Available Standby Amount and the Liquidity Facility Amount; |
| Standby Drawing | a drawing made under the Liquidity Facility Agreement as a result of a downgrade of a Liquidity Facility Provider below the Requisite Rating in accordance with clause 9 (<i>Rating Downgrade</i>) of the Liquidity Facility Agreement or in the event that the Liquidity Facility Provider fails to renew its Commitment pursuant to clause 3.5 (<i>Substitute Liquidity Facility</i>) of the Liquidity Facility Agreement; |
| Step-Up Fixed Fee Rate | the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms or, if no such rate is specified, zero; |
| Step-Up Floating Fee Rate | the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms or, if no such rate is specified, zero; |
| Sterling Bonds | any Bonds of each Sub-Class denominated in sterling; |
| STID | the security trust and intercreditor deed entered into on the Establishment Date between, among others, the Borrower Security Trustee, the Obligors, the Issuer Security Trustee, the Bond Trustee and any other party |

which accedes thereto, together with any deed supplemental to the STID as a **Supplemental Deed**;

STID Proposal

a proposal or request made by the Borrower in accordance with the STID proposing or requesting the Borrower Security Trustee to concur in making any modification, giving any consent or granting any waiver under or in respect of any Common Document;

STID Voting Request

has the meaning given to it in clause 12.7 (*STID Voting Request*) of the STID;

Stock Exchange

the London Stock Exchange or any other or further stock exchange(s) on which any Bonds may from time to time be listed, and references to the **relevant Stock Exchange** shall, in relation to any Bonds, be references to the Stock Exchange on which such Bonds are, from time to time, or are intended to be, listed;

Sub-Advance

a sub-division of any Advance made under the relevant Borrower Loan Agreement;

Sub-Class

with respect to a Class of Bonds, those Bonds which are identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Price, such Sub-Class comprising one or more Tranches of Bonds;

Subordinated Class A Step-Up Fee Amounts

in respect of Class A Bonds which are Fixed Rate Bonds or Indexed Bonds, any amounts (other than deferred interest) of step-up fee at the rate specified in the relevant Final Terms to be payable on such Class A Bonds in excess of the initial Coupon as at the date on which such Class A Bonds were issued and, in the case of Class A Bonds which are Floating Rate Bonds, any amounts (other than deferred interest) of step-up fee at the rate specified in the relevant Final Terms to be payable on such Class A Bonds in excess of the initial margin on the Coupon on such Class A Bonds as at the date on which such Class A Bonds were issued;

Subordinated Class B Step-Up Fee Amounts

in respect of Class B Bonds which are Fixed Rate Bonds or Indexed Bonds, any amounts (other than deferred interest) of step-up fee at the rate specified in the relevant Final Terms to be payable on such Class B Bonds in excess of the initial Coupon as at the date on which such Class B Bonds were issued and, in the case of Class B Bonds which are Floating Rate Bonds, any amounts (other than deferred interest) of step-up fee at the rate specified in the relevant Final Terms to be payable on such Class B Bonds in excess of the initial margin on the Coupon on such Class B Bonds as at the date on which such Class B Bonds were issued;

Subordinated Hedge Amounts

Borrower Subordinated Hedge Amounts and Issuer

Subordinated Hedge Amounts and **Subordinated Hedge Amount** means either of them;

Subordinated Intragroup Creditor Bidco and any entity which accedes to the STID as a Subordinated Intragroup Creditor in the form set out in part 4 (*Form of Accession Memorandum (New Subordinated Intragroup Creditor)*) of schedule 1 (*Form of Accession Memorandum*) to the STID;

Subordinated Intragroup Liabilities all present and future liabilities at any time of the Security Parent to a Subordinated Intragroup Creditor, in respect of any Financial Indebtedness;

Subordinated Step-Up Fee Amounts the Subordinated Class A Step-Up Fee Amounts and the Subordinated Class B Step-Up Fee Amounts;

Subscription Agreement an agreement supplemental to the Dealership Agreement (by whatever name called) substantially in the form set out in appendix 5 to the Dealership Agreement or in such other form as may be agreed between, among others, the Issuer and the Lead Manager or one or more Dealers (as the case may be);

Subsidiary means:

(a) a subsidiary within the meaning of section 1159 of the Companies Act; and

(b) unless the context otherwise requires, a subsidiary undertaking within the meaning of section 1162 of the Companies Act;

Substitute Liquidity Facility Agreement has the meaning given to it in clause 3.5 (Substitute Liquidity Facility) of the Liquidity Facility Agreement;

sub-unit in the case of any currency, the lowest amount of such currency that is available as legal tender in the country of such currency;

Successor in relation to the Principal Paying Agent, the other Paying Agents, the Registrar, the Transfer Agent, the Agent Bank and the Calculation Agent, any successor to any one or more of them in relation to the Bonds which shall become such pursuant to the provisions of the Bond Trust Deed and/or the Agency Agreement (as the case may be) and/or such other or further principal paying agent, paying agents, registrar, transfer agent, agent bank and calculation agent (as the case may be) in relation to the Bonds as may (with the prior approval of, and on terms previously approved by, the Bond Trustee in writing) from time to time be appointed as such, and/or, if applicable, such other or further specified offices (in the case of the Principal Paying Agent being within the same city as the office(s) for which it is substituted) as may from time to time be nominated, in

each case by the Issuer and the Obligors, and (except in the case of the initial appointments and specified offices made under and specified in the Conditions and/or the Agency Agreement, as the case may be) notice of whose appointment or, as the case may be, nomination has been given to the Bondholders;

Supplemental Deed

a deed supplemental to the STID entered into by the Borrower Security Trustee on its own behalf and on behalf of the Borrower Secured Creditors in the circumstances referred to in clause 2.1 (Accession of Additional Borrower Secured Creditor) or clause 3 (Additional Finance Documents) of the STID;

Talonholders

the several persons who are for the time being holders of the Talons;

Talons

the talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons appertaining to, the Definitive Bonds, such talons being in the form or substantially in the form set out in part 6 (Form of Talon) of schedule 1 (Form of Bonds, Receipts, Coupons and Talons) to the Bond Trust Deed or in such other form as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and includes any replacements for Talons issued pursuant to Condition 13 (Replacement of Bonds, Receipts, Coupons and Talons);

TARGET Settlement Day or TARGET2 Settlement Day

any day on which the TARGET2 System is open;

TARGET2 System

the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2) or any successor thereof;

Tax

any tax, levy, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest) and Taxes, taxation, taxable and comparable expressions will be construed accordingly;

Tax Credit

has the meaning given to it in the relevant ISDA Master Agreement;

Tax Deed

the Tax Deed to be entered into on the Establishment Date by (among others) the Obligors, Issuer, Borrower Security Trustee and Bond Trustee, covering, in particular, the past, present and future grouping and other tax-related arrangements of the Obligors and the Issuer;

Temporary Bearer Global Bond

a temporary global bond in the form or substantially in the form set out in part 1 (Form of Temporary Bearer Global Bond) of schedule 2 (Form of Bonds, Receipts,

Coupons and Talons) to the Bond Trust Deed together with the copy of the applicable Final Terms annexed thereto with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), comprising some or all of the Bearer Bonds of the same Class or Sub-Class, issued by the Issuer pursuant to the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Bond Trust Deed;

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| Term Facility | the term loan facility made available under the Initial Authorised Credit Facility Agreement as described in paragraph (a)(i) of the clause 2.1 (The Facilities) of the Initial Authorisation Credit Facility Agreement; |
| Term Facility Loan | a loan made or to be made under the Term Facility or the principal amount outstanding for the time being of that loan; |
| Tier 1 | all airports with substantial market power where regulatory intervention is warranted in accordance with the ACD; |
| Tier 2 | all airports (other than those in Tier 1) meeting the 5 million passenger a year threshold in the ACD; |
| Topco | Ivy Topco Limited an exempted company incorporated in the Cayman Islands with limited liability (registered number 232596); |
| Total Commitments | at any time, the aggregate Commitments of the Liquidity Facility Providers; |
| Total Notional Hedged Amount | the aggregate, at the time, of (a) the outstanding Notional Amount (as defined in the relevant Hedging Agreements) of Treasury Transactions which are interest rate swap transactions and inflation swap transactions (excluding, prior to (but including upon and following) any Loan Event of Default, any Pre-hedges and excluding the Notional Amount of any Treasury Transactions which are inflation swap transactions which do not provide for any payment obligations referenced to floating rate) entered into between the Issuer and the Hedge Counterparties or the Borrower and the Hedge Counterparties (as applicable) under the relevant Hedging Agreements and (b) the outstanding principal amount of the Fixed-rate Debt and provided that the Total Notional Hedged Amount shall be calculated by netting the Notional Amount (as defined in the relevant Hedging Agreements) of any Treasury Transaction to which the Security Parent or any of its Subsidiaries is a party against the Notional Amount (as defined in the relevant Hedging Agreements) of any |

Treasury Transaction to which the Security Parent or any of its Subsidiaries is a party and which provide for opposite payment obligations.

Traffic Distribution Rules

rules providing for air traffic, or any class or description of air traffic, to be distributed between airports in such manner as the Secretary of State thinks fit and in accordance with section 31 of the Airports Act;

Tranche

all Bonds which are identical in all respects (save for the Issue Date, Interest Commencement Date and Issue Price);

Transaction Documents

each Finance Document and each Issuer Transaction Document;

Transfer Agent

in relation to all or any Class or Sub-Class of the Registered Bonds, the several institutions at their respective specified offices initially appointed as transfer agents in relation to such Bonds by the Issuer pursuant to the relative Agency Agreement and/or, if applicable, any Successor transfer agents at their respective specified offices in relation to all or any Class or Sub-Class of the Bonds;

Transfer Certificate

a certificate in the form set out in schedule 2 (Form of Transfer Certificate) to the Agency Agreement;

Transfer RAB

at any date, in respect of the Borrower the aggregate of the product of (a) the sum of the Relevant EBITDA for the previous three financial years of the Borrower preceding such date as determined by reference to the audited financial statements of the Borrower for such financial years divided by three and (b) the Relevant Multiple;

Transparency Condition

the condition that the CAA imposed on GAL in 1991 in accordance with section 46(2) of the Airports Act;

Treasury Transaction

any currency or interest rate purchase, cap or collar agreement, forward rate agreement, interest rate agreement, index-linked agreement, interest rate or currency or future or option contract, foreign exchange or currency purchase or sale agreement, interest rate swap, currency swap or combined similar agreement or any derivative transaction protecting against or benefitting from fluctuations in any rate or price;

Treaty

the Treaty establishing the European Communities;

Trigger Event

any of the events or circumstances identified as such in part 1 of schedule 3 (Trigger Events) to the Common Terms Agreement;

Trust Documents

the Bonds, Coupons and Receipts and otherwise under

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| | the Bond Trust Deed, the Issuer Deed of Charge and any deed or other document executed in accordance with the Bond Trust Deed or Issuer Deed of Charge and expressed to be supplemental to the Bond Trust Deed or Issuer Deed of Charge (as applicable); |
| TSA | transitional services agreement between BAA Airports Limited and GAL; |
| TUPE | Transfer of Employment (Protection of Employment) Regulations 2006; |
| UK Corporate Administration Agreement | the corporate services agreement for the provision of services by the UK Corporate Administration Provider dated on the Establishment Date between the Issuer and the UK Corporate Administration Provider; |
| UK Corporate Administration Provider | Structured Finance Management Limited, a company incorporated in England and Wales with limited liability (registered number 03853947) or any successor thereto; |
| UK GAAP | generally accepted accounting principles in the United Kingdom; |
| UKLA | the Financial Services Authority or any successor authority or authorities (as appropriate) in its or their capacity as competent authority/ies under FSMA; |
| UK Retail Price Index | the retail price index (all items) published by the UK Office for National Statistics; |
| unit | with respect to any currency other than euro, the lowest amount of such currency which is available as legal tender in the country of such currency and, with respect to euro, 0.01 euro; |
| U.S. Person | any U.S. Person (as defined in Regulation S under the Securities Act); |
| VAT | value added tax as provided for in Directive 2006/112/EC and imposed by VATA and legislation and regulations supplemental thereto and includes any other tax of a similar fiscal nature whether imposed in the UK (instead of, or in addition to, value added tax) or elsewhere from time to time; |
| VATA | the Value Added Tax Act 1994; |
| Voted Qualifying Debt | the Participating QBS Creditors voting in accordance with clause 10.3 (Participating QBS Creditors) of the STID; |
| WDF | World Duty Free; |
| WHO | World Health Organisation; and |

Zero Coupon Bond

a Bond on which no interest is payable.

**REGISTERED OFFICE
OF THE ISSUER
GATWICK FUNDING LIMITED**
47 Esplanade
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Jersey JE1 0BD

**REGISTERED OFFICE OF
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Gatwick Airport
Gatwick
West Sussex RH6 0NP

**BOND TRUSTEE, ISSUER SECURITY TRUSTEE AND BORROWER SECURITY
TRUSTEE**

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB

**PRINCIPAL PAYING AGENT,
EXCHANGE AGENT
AND AGENT BANK**
Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

**REGISTRAR, TRANSFER AGENT,
AND
PAYING AGENT**
Deutsche Bank Trust Company Americas
60 Wall Street
24th floor
New York, New York 10005
United States of America

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the Bond Trustee,
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ARRANGER

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DEALERS

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92920 Paris-la-Défense Cedex
France

HSBC Bank plc
8 Canada Square
London E14 5HQ

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

Société Générale
29 Boulevard Haussmann
75009 Paris
France