GRACECHURCH MORTGAGE FUNDING PLC – PROSPECTUS DISCLAIMER

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S. EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED BELOW)

IMPORTANT: You must read the following before continuing. The following applies to the Prospectus attached to this electronic transmission, 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. 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 U.S. SECURITIES ACT OF 1933, AS AMENDED (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 either (i) 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 or (ii) a qualified institutional buyer (as defined in Rule 144A under the Securities Act) 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 and/or (ii) is a high net worth entity falling within Article 49(2)(a) to (e) of the Financial Services and Markets Act (Financial Promotion) Order 2005.

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 neither Gracechurch Mortgage Funding PLC nor Barclays Bank PLC nor 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 Gracechurch Mortgage Funding PLC nor Barclays Bank PLC.

GRACECHURCH MORTGAGE FUNDING PLC
(Incorporated in England and Wales with limited liability, registered number 5589309)

£100,000,000 Class A1a Asset Backed Floating Rate Notes due 2015
£500,000,000 Class A2a Asset Backed Floating Rate Notes due 2041
£600,000,000 Class A2d Asset Backed Floating Rate Notes due 2041
£32,000,000 Class Ba Asset Backed Floating Rate Notes due 2041
£17,000,000 Class Ca Asset Backed Floating Rate Notes due 2041
£24,000,000 Class Da Asset Backed Floating Rate Notes due 2041
USD1,560,000,000 Class A1b Asset Backed Floating Rate Notes due 2015
USD2,400,000,000 Class A2b Asset Backed Floating Rate Notes due 2041
USD4,000,000 Class Bb Asset Backed Floating Rate Notes due 2041
USD16,000,000 Class Cb Asset Backed Floating Rate Notes due 2041
USD34,000,000 Class Db Asset Backed Floating Rate Notes due 2041
€545,000,000 Class A1c Asset Backed Floating Rate Notes due 2015
€780,000,000 Class A2c Asset Backed Floating Rate Notes due 2041
€32,500,000 Class Bc Asset Backed Floating Rate Notes due 2041
€15,000,000 Class Cc Asset Backed Floating Rate Notes due 2041
€16,500,000 Class Dc Asset Backed Floating Rate Notes due 2041

	Class A1a	Class A2a	Class A2d	Class Ba	Class Ca	Class Da
Principal Amount:	£100,000,000	£500,000,000	£600,000,000	£32,000,000	£17,000,000	£24,000,000
Issue Price:	100%	100%	100%	100%	100%	100%
Interest Rate:	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin
Margin until Interest Payment Date ending in January 2011:	0.04% p.a.	0.08% p.a.	0.08% p.a.	0.18% p.a.	0.28% p.a.	0.47% p.a.
Margin after Interest Payment Date ending in January 2011:	0.08% p.a.	0.16% p.a.	0.16% p.a.	0.36% p.a.	0.56% p.a.	0.94% p.a.
Interest Payment Dates:	Quarterly in arrear on the Interest Payment Dates in January, April, July and October in each year.					
Final Maturity Date:	October 2015	October 2041	October 2041	October 2041	October 2041	October 2041
Expected Ratings (Moody's/S&P/Fitch)	Aaa/AAA/AAA	Aaa/AAA/AAA	Aaa/AAA/AAA	Aa2/AA/AA	A1/A/A	Baa2/BBB/BBB

	Class A1b	Class A2b	Class Bb	Class Cb	Class Db
Principal Amount:	$1,560,000,000	$2,440,000,000	$4,000,000	$16,000,000	$34,000,000
Issue Price:	100%	100%	100%	100%	100%
Interest Rate:	Three-month USD LIBOR + Margin	Three-month USD LIBOR + Margin	Three-month USD LIBOR + Margin	Three-month USD LIBOR + Margin	Three-month USD LIBOR + Margin
Margin until Interest Payment Date ending in January 2011:	0.04% p.a.	0.07% p.a.	0.18% p.a.	0.28% p.a.	0.47% p.a.
Margin after Interest Payment Date ending in January 2011:	0.08% p.a.	0.14% p.a.	0.36% p.a.	0.56% p.a.	0.94% p.a.
Interest Payment Dates:	Quarterly in arrear on the Interest Payment Dates in January, April, July and October in each year.				
Final Maturity Date:	October 2015	October 2041	October 2041	October 2041	October 2041
Expected Ratings (Moody's/S&P/Fitch)	Aaa/AAA/AAA	Aaa/AAA/AAA	Aa2/AA/AA	A1/A/A	Baa2/BBB/BBB

	Class A1c	Class A2c	Class Bc	Class Cc	Class Dc
Principal Amount:	€545,000,000	€780,000,000	€32,500,000	€15,000,000	€16,500,000
Issue Price:	100%	100%	100%	100%	100%
Interest Rate:	Three-month EURIBOR + Margin	Three-month EURIBOR + Margin	Three-month EURIBOR + Margin	Three-month EURIBOR + Margin	Three-month EURIBOR + Margin
Margin until Interest Payment Date ending in January 2011:	0.04% p.a.	0.08% p.a.	0.18% p.a.	0.28% p.a.	0.47% p.a.
Margin after Interest Payment Date ending in January 2011:	0.08% p.a.	0.16% p.a.	0.36% p.a.	0.56% p.a.	0.94% p.a.
Interest Payment Dates:	Quarterly in arrear on the Interest Payment Dates in January, April, July and October in each year.				
Final Maturity Date:	October 2015	October 2041	October 2041	October 2041	October 2041
Expected Ratings (Moody's/S&P/Fitch)	Aaa/AAA/AAA	Aaa/AAA/AAA	Aa2/AA/AA	A1/A/A	Baa2/BBB/BBB

On 21 December 2005 or such later date as the Issuer and the Managers may agree (the **Issue Date**), the Issuer will issue the Class A1a Notes, the Class A2a Notes, the Class A2d Notes, the Class Ba Notes, the Class Ca Notes and the Class Da Notes, (together, the **Sterling Notes**), the Class A1b Notes, the Class A2b Notes, the Class Bb Notes, the Class Cb Notes and the Class Db Notes (together, the **Dollar Notes**), the Class A1c Notes, the Class A2c Notes, the Class Bc Notes, the Class Cc Notes and the Class Dc Notes (together, the **Euro Notes** and together with the Sterling Notes and the Dollar Notes, the **Notes**).

Application has been made to the Financial Services Authority (the **FSA**) in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Notes to be admitted to the official list of the UK Listing Authority (the **Official List**) and to London Stock Exchange plc (the **London Stock Exchange**) for the Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. This Prospectus comprises a prospectus for the purposes of EU Directive 2003/71/EC (the **Prospectus Directive**). 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 the assigning rating organisation.

The Notes are highly structured. Before you purchase any Notes, be sure that you understand the structure and the risks (see the section herein entitled Risk Factors).

Lead Manager and Sole Bookrunner
BARCLAYS CAPITAL
Co-Managers
BNP PARIBAS Citigroup Goldman Sachs International
Merrill Lynch International Morgan Stanley UBS Investment Bank

The date of this Prospectus is 16 December 2005

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY STATE SECURITIES LAWS AND UNLESS SO REGISTERED MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT, **U.S. PERSONS**) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE NOTES ARE BEING OFFERED AND SOLD (A) IN THE UNITED STATES ONLY TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN AND PURSUANT TO RULE 144A OF THE SECURITIES ACT, **QUALIFIED INSTITUTIONAL BUYERS**) AND (B) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALES OR TRANSFERS, SEE *TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*.

THIS PROSPECTUS IS NOT SUBMITTED TO INVESTORS IN CONNECTION WITH THE CONSIDERATION OF THE PURCHASE OF THE RESIDUAL CERTIFICATES. FOR A DESCRIPTION OF THE RESIDUAL CERTIFICATES, SEE *TRANSACTION OVERVIEW — THE RESIDUAL CERTIFICATES*.

THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF BARCLAYS BANK PLC (THE SELLER), THE SWAP PROVIDER, THE ARRANGER, THE MANAGERS, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, ANY COMPANY IN THE SAME GROUP OF COMPANIES AS THE SELLER OR THE MANAGERS OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE SELLER, THE SWAP PROVIDER, THE ARRANGER, THE MANAGERS, THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR BY ANY PERSON OTHER THAN THE ISSUER.

IMPORTANT NOTICE

The Notes of each class or, in the case of the Class A Notes, each sub-class sold in reliance on Rule 144A (**Rule 144A**) under the Securities Act will be represented on issue by a global note in registered form for each such class or, in the case of the Class A Notes, each such sub-class of Note (the **Rule 144A Global Notes**). The Notes of each class or, in the case of the Class A Notes, each sub-class sold in reliance on Regulation S (**Regulation S**) under the Securities Act will be represented on issue by a global note in registered form for each such class or, in the case of the Class A Notes, each such sub-class of Note (the **Reg S Global Notes** and, together with the Rule 144A Global Notes, the **Global Notes**).

The Issuer will maintain a register, to be kept by the Registrar, in which it will register the Global Notes in the name of (i) a nominee for The Bank of New York, as common depository (the **Common Depository**) for Euroclear Bank S.A./N.V., as operator of the Euroclear System (**Euroclear**), and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), as owner of the Reg S Global Notes and (ii) Cede & Co, as nominee for DTC as owner of the Rule 144A Global Notes. Transfers of all or any portion of the interests in the Global Notes may be made only through the register maintained by the Issuer. Each of DTC, Euroclear and Clearstream, Luxembourg will record the beneficial interests in the Global Notes (**Book-Entry Interests**). Book-Entry Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear or Clearstream, Luxembourg, and their respective participants. Except in the limited circumstances described under *Description of the Notes – Issuance of Definitive Notes*, the Notes will not be available in definitive form (the **Definitive Notes**). Definitive Notes will be issued in registered form only.

THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING OF THE NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. NO REPRESENTATION IS MADE BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE ARRANGER OR ANY OF THE MANAGERS THAT THIS PROSPECTUS MAY BE LAWFULLY DISTRIBUTED, OR THAT THE NOTES MAY BE LAWFULLY OFFERED IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY SUCH JURISDICTION, OR PURSUANT TO AN EXEMPTION AVAILABLE THEREUNDER, AND NONE OF THEM ASSUMES ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, SAVE FOR OBTAINING THE APPROVAL OF THIS PROSPECTUS AS A PROSPECTUS FOR THE PURPOSES OF THE PROSPECTUS DIRECTIVE BY THE UK LISTING AUTHORITY, NO ACTION HAS BEEN TAKEN BY THE ISSUER, THE SELLER, THE ARRANGER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, OR ANY OF THE MANAGERS WHICH WOULD PERMIT A PUBLIC OFFERING OF THE NOTES OR DISTRIBUTION OF THIS PROSPECTUS IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED, IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS AND EACH MANAGER HAS REPRESENTED THAT ALL OFFERS AND SALES BY IT WILL BE MADE ON SUCH TERMS. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS COMES ARE REQUIRED BY THE ISSUER AND THE MANAGERS TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE **COMMISSION**), ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY WITHIN THE UNITED STATES, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT. THE NOTES WILL BE OFFERED AND SOLD IN THE UNITED STATES ONLY TO A LIMITED NUMBER OF **QUALIFIED INSTITUTIONAL BUYERS** IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE LAWS OF ANY STATE. THE NOTES WILL ALSO BE CONTEMPORANEOUSLY OFFERED AND SOLD OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS PURSUANT TO THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT. THERE IS NO UNDERTAKING TO REGISTER THE NOTES UNDER U.S. STATE OR FEDERAL SECURITIES LAW. UNTIL 40 DAYS AFTER THE COMMENCEMENT OF THE OFFERING, AN OFFER OR SALE OF THE NOTES WITHIN THE UNITED STATES BY ANY DEALER (WHETHER OR NOT PARTICIPATING IN THE OFFERING) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN IN COMPLIANCE WITH RULE 144A OR PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE NOTES CANNOT BE RESOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS UNLESS THEY ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALES AND TRANSFERS, SEE *TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*.

EACH INITIAL AND SUBSEQUENT PURCHASER OF THE NOTES WILL BE DEEMED BY ITS ACCEPTANCE OF SUCH NOTES TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER OF THE NOTES AS SET FORTH THEREIN AND DESCRIBED IN THIS PROSPECTUS AND, IN CONNECTION THEREWITH, MAY BE REQUIRED TO PROVIDE CONFIRMATION OF ITS COMPLIANCE WITH SUCH RESALE AND OTHER TRANSFER RESTRICTIONS IN CERTAIN CASES. SEE *TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*.

THE ISSUER, THE ARRANGER AND THE MANAGERS MAKE NO REPRESENTATION TO ANY PROSPECTIVE INVESTOR OR PURCHASER OF THE NOTES REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH PROSPECTIVE INVESTOR OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS. SEE *UNITED STATES LEGAL INVESTMENT CONSIDERATIONS*.

The risk characteristics of the Class B Notes, the Class C Notes and the Class D Notes differ from those of the Class A Notes generally. **In this respect and more generally, particular attention is drawn to the section herein entitled *Risk Factors*.**

THE ISSUER ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS. TO THE BEST OF ITS KNOWLEDGE AND BELIEF (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 IS AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFERING OR SALE OF THE NOTES OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, THE SELLER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE ARRANGER, ANY OF THE MANAGERS OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE OR ALLOTMENT MADE IN CONNECTION WITH THE OFFERING OF THE NOTES SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE SELLER OR THE ARRANGER, OR IN THE OTHER INFORMATION CONTAINED HEREIN SINCE THE DATE HEREOF. THE INFORMATION CONTAINED IN THIS PROSPECTUS WAS OBTAINED FROM THE ISSUER AND OTHER SOURCES, BUT NO ASSURANCE CAN BE GIVEN BY THE MANAGERS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NONE OF THE NOTE TRUSTEE, THE SECURITY TRUSTEE, OR THE MANAGERS MAKES ANY REPRESENTATION, EXPRESS OR IMPLIED, OR ACCEPTS ANY RESPONSIBILITY, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION IN THIS PROSPECTUS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL, BUSINESS, ACCOUNTING OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL, BUSINESS, ACCOUNTING AND TAX ADVISERS PRIOR TO MAKING A DECISION TO INVEST IN THE NOTES.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER, THE SELLER, THE ARRANGER OR THE MANAGERS OR ANY OF THEM TO SUBSCRIBE FOR OR PURCHASE ANY OF THE NOTES IN ANY JURISDICTION WHERE SUCH ACTION WOULD BE UNLAWFUL AND NEITHER THIS PROSPECTUS, NOR ANY PART THEREOF, MAY BE USED FOR OR IN CONNECTION WITH ANY OFFER TO, OR SOLICITATION BY, ANY PERSON IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

PAYMENTS OF INTEREST AND PRINCIPAL IN RESPECT OF THE NOTES WILL BE SUBJECT TO ANY APPLICABLE WITHHOLDING TAXES WITHOUT THE ISSUER BEING OBLIGED TO PAY ADDITIONAL AMOUNTS THEREFOR.

IN THIS PROSPECTUS ALL REFERENCES TO **POUNDS**, **STERLING**, **GBP** AND **£** ARE REFERENCES TO THE LAWFUL CURRENCY FOR THE TIME BEING OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (THE **UNITED KINGDOM** or **UK**). REFERENCES IN THIS PROSPECTUS TO **DOLLARS**, **USD** AND **$** ARE TO THE LAWFUL CURRENCY FOR THE TIME BEING OF THE UNITED STATES OF AMERICA (THE **UNITED STATES**). REFERENCES IN THIS OFFERING TO **EURO**, **EUR** AND **€** ARE REFERENCES TO THE SINGLE

CURRENCY INTRODUCED AT THE START OF THE THIRD STAGE OF EUROPEAN ECONOMIC AND MONETARY UNION ON 1 JANUARY 1999 PURSUANT TO THE TREATY ESTABLISHING THE EUROPEAN COMMUNITIES, AS AMENDED FROM TIME TO TIME.

IN CONNECTION WITH THE ISSUE OF THE NOTES, BARCLAYS BANK PLC (OR PERSONS ACTING ON BEHALF OF BARCLAYS BANK PLC) MAY OVER-ALLOT THE NOTES (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF THE RELEVANT CLASS OF NOTES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE RELEVANT CLASS OF NOTES) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT BARCLAYS BANK PLC (OR PERSONS ACTING ON BEHALF OF BARCLAYS BANK PLC) 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 CLASS OF NOTES 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 CLASS OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT CLASS OF NOTES.

AVAILABLE INFORMATION

The Issuer will agree that, for so long as any of the Notes remain outstanding and are ''restricted securities'' within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will furnish, upon request of a holder of such a Note or of any beneficial owner or by any prospective purchaser designated by such holder or beneficial owner 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 not a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the **Exchange Act**), or is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

ENFORCEABILITY OF JUDGMENTS

The Issuer is a public limited company registered in England and Wales. All of the Issuer's assets are located outside the United States. None of the officers and directors of the Issuer are residents of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or any such person not residing in the United States with respect to matters arising under the federal securities law of the United States, or to enforce against them judgments of courts of the United States predicated upon the civil liability provisions of such securities laws. There is doubt as to the enforceability in the United Kingdom, in original actions or in actions for the enforcement of judgment of U.S. courts, of civil liabilities predicated solely upon such securities laws.

Notwithstanding any provision herein and the otherwise confidential nature of this prospectus and its contents, and effect from the date of commencement of discussion concerning this offering of Notes, each party hereto (and each employee, representative, or other agent of such party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of this transaction and all materials of any kind (including opinions of other tax analyses) that are provided to it relating to such tax treatment and tax structure, except to the extent that any such disclosure could reasonably be expected to cause this offering not be in compliance with securities laws. In addition, no person may disclose the name of or identifying information with respect to any party identified herein or other non-public business or financial information that is unrelated to the tax treatment or tax structure of this transaction without the prior consent of the Issuer. For purposes of this paragraph, the tax treatment of this transaction is the purported or claimed U.S. federal income tax treatment of this transaction and the tax structure of this transaction is any fact that may be relevant to understanding the purported or claimed U.S. federal income tax treatment of this transaction.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE STATE OF NEW HAMPSHIRE REVISED STATUTES (RSA CHAPTER 921-B) 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 RSA 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 OF NEW HAMPSHIRE 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.

FORWARD-LOOKING STATEMENTS

Certain matters contained herein are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgments by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as ''may'', ''will'', ''could'', ''believes'', ''expects'', ''anticipates'', ''continues'', ''intends'', ''plans'', or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. The Managers have not attempted to verify any such statements, nor do they make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements. Neither the Issuer nor any of the Managers assumes any obligation to update these forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements.

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SUMMARY

The following is a summary of the parties and the principal features of the Notes, the Loans and their Related Security and the Transaction Documents and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus. In addition to the Notes, the Issuer will issue the Residual Certificates to Barclays Bank PLC. The Residual Certificates will be secured over the same assets as the Notes. The Residual Certificates are not being offered by this Prospectus, and this Prospectus is not to be used in connection with the consideration of the purchase of any of the Residual Certificates.

You should read the entire Prospectus carefully, especially the risks of investing in the Notes discussed under *Risk Factors*.

Capitalised terms used, but not defined, in certain sections of this Prospectus, including this summary, may be found in other sections of this Prospectus, unless otherwise stated. An index of defined terms is set out at the end of this Prospectus.

The parties

Issuer:	Gracechurch Mortgage Funding PLC is a public limited company incorporated under the laws of England and Wales with registered number 5589309 (the **Issuer**). The Issuer is a wholly owned subsidiary of Holdings. The Issuer was established, *inter alia*, to issue the Notes and to use an amount equal to the gross proceeds to acquire the Initial Portfolio from the Seller.
Holdings:	Gracechurch Mortgage Funding Holdings Limited is a private limited company incorporated under the laws of England and Wales with registered number 5589389 (**Holdings**). The issued share capital of Holdings is held by a trustee (the **Share Trustee**) under the terms of a discretionary trust for charitable purposes.
Seller:	Barclays Bank PLC, incorporated under the laws of England and Wales with registered number 1026167 (in such capacity, the **Seller**), will enter into a mortgage sale agreement with the Issuer on or about the Issue Date (the **Mortgage Sale Agreement**).
Administrator:	Barclays Bank PLC (in such capacity, the **Administrator**), and as Seller, will enter into an administration agreement with the Issuer and the Security Trustee on or about the Issue Date (the **Administration Agreement**). Pursuant to the terms of the Administration Agreement, Barclays Bank PLC will administer the Portfolio on behalf of the Issuer. On the Issue Date, all of the administration obligations of Barclays Bank PLC will be subcontracted by Barclays Bank PLC to GHL Mortgage Services Limited (**GHL**). Information relating to the subcontracting arrangements appears on pages 144 and 145 of this Prospectus.
Cash Manager:	Barclays Bank PLC (in such capacity, the **Cash Manager**) will enter into a cash management agreement with the Issuer, the Seller and the Security Trustee on or about the Issue Date (the **Cash Management Agreement**). The Cash Manager will act as agent for the Issuer, to manage all cash transactions and maintain certain ledgers on behalf of the Issuer.
Note Trustee:	The Bank of New York, acting through its London branch (in such capacity, the **Note Trustee**), will be appointed pursuant to a trust deed (the **Trust Deed**) to be entered into on or about the Issue Date between the Issuer and the Note Trustee to represent the interests of the holders of the Notes (the **Noteholders**).

Security Trustee:	The Bank of New York, acting through its London branch (in such capacity, the **Security Trustee**), will hold the benefit of the security to be granted by the Issuer under the Deed of Charge and will be entitled to enforce the security granted in its favour under the Deed of Charge.
Interest Rate Swap Provider:	On or about the Issue Date, Barclays Bank PLC (in such capacity, the **Interest Rate Swap Provider**) will enter into an ISDA Master Agreement (including a schedule and one or more confirmations) with the Issuer and the Security Trustee to swap various interest rates payable on the Loans in the Portfolio into a rate calculated by reference to Three-Month Sterling LIBOR (the **Interest Rate Swap Agreement**).
Currency Swap Provider:	On or about the Issue Date, Barclays Bank PLC (in such capacity, the **Dollar Currency Swap Provider**) will enter into an ISDA Master Agreement (including a schedule and a confirmation) with the Issuer and the Security Trustee in respect of each of the sub-classes of Dollar Notes (each a **Dollar Currency Swap Agreement** and, together, the **Dollar Currency Swap Agreements** and each swap made thereunder a **Dollar Currency Swap**). On or about the Issue Date, Barclays Bank PLC (in such capacity, the **Euro Currency Swap Provider**) will enter into an ISDA Master Agreement (including a schedule and a confirmation) with the Issuer and the Security Trustee in respect of each of the sub-classes of Euro Notes (each a **Euro Currency Swap Agreement** and, together, the **Euro Currency Swap Agreements** and each swap made thereunder a **Euro Currency Swap**). The Dollar Currency Swap Agreements and the Euro Currency Swap Agreements are together referred to in this Prospectus as the **Currency Swap Agreements**. The Dollar Currency Swaps and the Euro Currency Swaps are together referred to in this Prospectus as the **Currency Swaps**. The Dollar Currency Swap Provider and the Euro Currency Swap Provider are together referred to in this Prospectus as the **Currency Swap Provider** and, together with the Interest Rate Swap Provider, as the **Swap Providers**.
Account Bank:	Barclays Bank PLC will be appointed as account bank (in such capacity, the **Account Bank**) to the Issuer pursuant to the terms of a bank account agreement to be entered into by, *inter alios*, the Account Bank, the Issuer and the Security Trustee on or about the Issue Date (the **Bank Account Agreement**). The Issuer will open two accounts with the Account Bank: the **GIC Account** and the **Transaction Account**. The short term unguaranteed, unsubordinated and unsecured debt obligations of the Account Bank are currently rated P-1 by Moody's, F1+ by Fitch and A-1+ by Standard & Poor's. If, at any time (a) the short term unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are downgraded below a rating of P-1 by Moody's or a rating of A-1+ by S&P or a rating of F1+ by Fitch, and (b) as a result of such downgrade, any of the then current ratings of the Notes would be adversely affected, the Issuer (at its own cost) will be required promptly to arrange for the transfer (within 30 days) of the Bank Accounts to an appropriately rated bank or financial institution on terms acceptable to the Security Trustee on similar terms and in order to maintain the ratings of the Notes at their then current ratings. The Account Bank will agree to pay a guaranteed rate of interest in relation to the GIC Account.

Start-up Loan Provider:	Barclays Bank PLC will act as start-up loan provider to the Issuer (in such capacity, the **Start-up Loan Provider**) pursuant to the Start-up Loan Agreement.
Corporate Services Provider:	Structured Finance Management Limited, having its registered office at 35 Great St. Helen's, London EC3A 6AP (in such capacity, the **Corporate Services Provider**) will be appointed to provide certain corporate services to the Issuer and Holdings pursuant to a corporate services agreement (the **Issuer Corporate Services Agreement**) to be entered into on or about the Issue Date by, *inter alios*, the Issuer, Holdings and the Corporate Services Provider. The Corporate Services Provider will also be appointed to provide certain corporate services to the Post-Enforcement Call Option Holder and PECOH Holdings pursuant to a further corporate services agreement (the **PECOH Corporate Services Agreement**, and together with the Issuer Corporate Services Agreement, the **Corporate Services Agreements**).
Post-Enforcement Call Option Holder:	GMF PECOH PLC (the **Post-Enforcement Call Option Holder**) is a public limited company incorporated under the laws of England and Wales with registered number 5589264 and is a wholly owned subsidiary of GMF PECOH Holdings Limited. The Post-Enforcement Call Option Holder will enter into the Post-Enforcement Call Option Agreement.
PECOH Holdings:	GMF PECOH Holdings Limited is a private limited company incorporated under the laws of England and Wales with registered number 5589379 (**PECOH Holdings**). The issued share capital of PECOH Holdings is held by a trustee (the **PECOH Share Trustee**) under the terms of a discretionary trust for charitable purposes.

Figure 1 – Ownership Structure

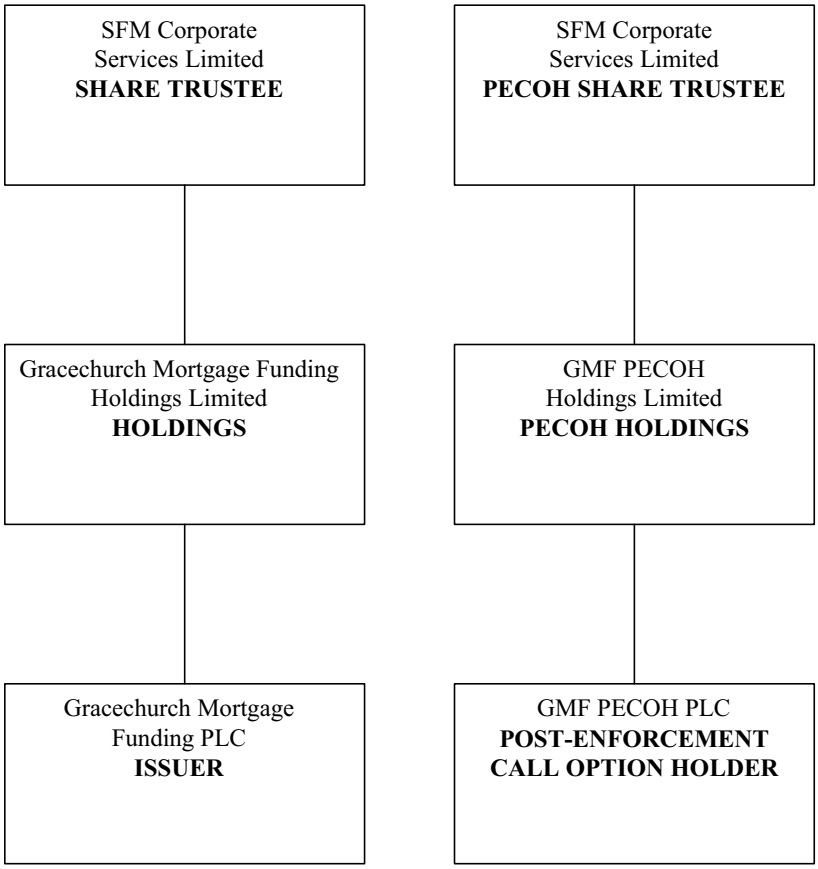

Figure 1 illustrates the ownership structure of the principal parties to the transaction, as follows:

- The Issuer is a wholly owned subsidiary of Holdings.
- The entire issued share capital of Holdings is held on trust by the Share Trustee under the terms of a discretionary trust, the benefit of which is expressed to be for charitable purposes.
- The Post-Enforcement Call Option Holder is a wholly owned subsidiary of PECOH Holdings.
- The entire issued share capital of PECOH Holdings is held on trust by the PECOH Share Trustee under the terms of a discretionary trust, the benefit of which is expressed to be for charitable purposes.
- None of the Issuer, Holdings, the Post-Enforcement Call Option Holder, PECOH Holdings, the Share Trustee or the PECOH Share Trustee are either owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Seller or any member of the group of companies containing the Seller.

Figure 2 – Transaction Structure

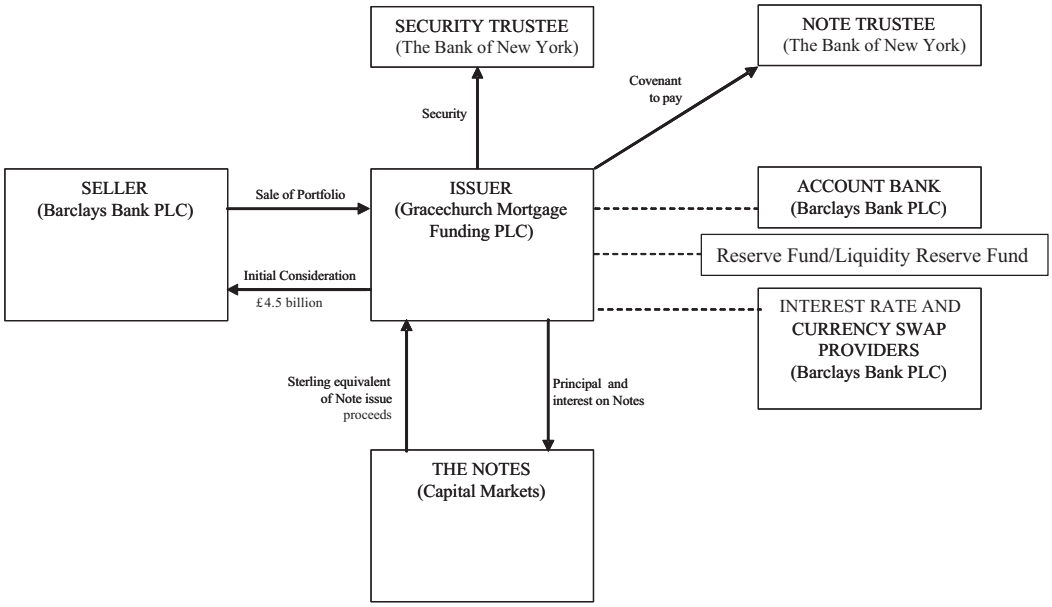

Figure 2 illustrates a brief overview of the transaction, as follows:

The Seller will sell the Initial Portfolio (comprising the Initial Loans, their Related Security and all amounts derived therefrom) to the Issuer.

The Issuer will use the proceeds of the issue of Notes to pay the Initial Consideration of £4.5 billion to the Seller (after converting the same into Sterling under the Currency Swaps, where applicable). At later dates, the Issuer will pay Postponed Deferred Consideration and Deferred Consideration to the Seller from excess Available Revenue Receipts.

The Issuer will use amounts received in respect of the Portfolio which are Revenue Receipts and Principal Receipts to meet its obligations to pay, generally, interest amounts and principal amounts, respectively, to the Noteholders.

Pursuant to the terms of the Deed of Charge, the Issuer will grant security over all of its assets in favour of the Security Trustee, to secure its obligations to its various creditors, including the Noteholders.

The terms of the Notes will be governed by a Trust Deed made with the Note Trustee.

The Issuer will open two accounts with the Account Bank: the **GIC Account** and the **Transaction Account**.

The Issuer will enter into an Interest Rate Swap Agreement with the Interest Rate Swap Provider to swap various interest rates payable on the Loans in the Portfolio into a rate calculated by reference to Three-Month Sterling LIBOR.

The Issuer will enter into the Currency Swap Agreements with the Currency Swap Provider to swap the Sterling amounts received on the Loans in the Portfolio (after swapping the interest amounts under the Interest Rate Swap Agreement) into Dollars and Euro, as applicable, in order to pay amounts due on those Notes that are denominated in Dollars and Euro.

The Issuer will establish a Reserve Fund on the Issue Date from part of the proceeds of a Start-Up Loan from the Seller. In limited circumstances, the Issuer will establish a Liquidity Reserve Fund. If established, moneys standing to the credit of the Liquidity Reserve Fund will be applied towards payment of senior expenses and interest amounts on the Notes.

Key characteristics of the Notes

	Class A1a	Class A2a	Class A2d	Class Ba	Class Ca	Class Da
Principal Amount:	£100,000,000	£500,000,000	£600,000,000	£32,000,000	£17,000,000	£24,000,000
Credit enhancement:	Subordination of the Class B Notes, the Class C Notes, the Class D Notes and the Reserve Funds.	Subordination of the Class B Notes, the Class C Notes, the Class D Notes and the Reserve Funds.	Subordination of the Class B Notes, the Class C Notes, the Class D Notes and the Reserve Funds.	Subordination of the Class C Notes, the Class D Notes and the Reserve Funds.	Subordination of the Class D Notes and the Reserve Funds.	The Reserve Funds.
Issue Price:	100%	100%	100%	100%	100%	100%
Interest Rate:	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin	Three-month Sterling LIBOR + Margin
Margin until Interest Payment Date falling in January 2011:	0.04% p.a.	0.08% p.a.	0.08% p.a.	0.18% p.a.	0.28% p.a.	0.47% p.a.
Margin after Interest Payment Date falling in January 2011:	0.08% p.a.	0.16% p.a.	0.16% p.a.	0.36% p.a.	0.56% p.a.	0.94% p.a.
Interest Accrual Method:	Actual/365/366	Actual/365/366	Actual/365/366	Actual/365/366	Actual/365/366	Actual/365/366
Interest Payment Dates:	Quarterly in arrear on the Interest Payment Dates falling in January, April, July and October of each year.					
First Interest Payment Date:	11 April 2006	11 April 2006	11 April 2006	11 April 2006	11 April 2006	11 April 2006
Final Maturity Date:	October 2015	October 2041	October 2041	October 2041	October 2041	October 2041
Debt for United States federal income tax purposes (investors should consult with their tax counsel):	See the considerations contained in *United States Federal Income Taxation*, below.					
ERISA Eligible (investors subject to ERISA should consult with their counsel):	See the considerations contained in *United States ERISA Considerations*, below.					
Application for Exchange Listing:	London	London	London	London	London	London
ISIN: 144A Notes	US38406CAF05	US38406CAG87	US38406CAR43	US38406CAH60	US38406CAJ27	US38406CAK99
Common Code: 144A Notes	023796619	023796783	023810328	023796813	023796848	023796929
CUSIP Number:	38406C AF 0	38406C AG 8	38406C AR 4	38406C AH 6	38406C AJ 2	38406C AK 9
ISIN: Reg S Notes	XS0236971650	XS0236974753	XS0237975346	XS0236974910	XS0236975057	XS0236975214
Common Code: Reg S Notes	023697165	023697475	023797534	023697491	023697505	023697521
Expected Ratings (Moody's/S&P/Fitch):	Aaa/AAA/AAA	Aaa/AAA/AAA	Aaa/AAA/AAA	Aa2/AA/AA	A1/A/A	Baa2/BBB/BBB

	Class A1b	Class A2b	Class Bb	Class Cb	Class Db
Principal Amount:	$1,560,000,000	$2,440,000,000	$4,000,000	$16,000,000	$34,000,000
Credit enhancement:	Subordination of the Class B Notes, the Class C Notes, the Class D Notes and the Reserve Funds.	Subordination of the Class B Notes, the Class C Notes, the Class D Notes and the Reserve Funds.	Subordination of the Class C Notes, the Class D Notes and the Reserve Funds.	Subordination of the Class D Notes and the Reserve Funds.	The Reserve Funds.
Issue Price:	100%	100%	100%	100%	100%
Interest Rate:	Three-month USD LIBOR + Margin	Three-month USD LIBOR + Margin	Three-month USD LIBOR + Margin	Three-month USD LIBOR + Margin	Three-month USD LIBOR + Margin
Margin until Interest Payment Date falling in January 2011:	0.04% p.a.	0.07% p.a.	0.18% p.a.	0.28% p.a.	0.47% p.a.
Margin after Interest Payment Date falling in January 2011:	0.08% p.a.	0.14% p.a.	0.36% p.a.	0.56% p.a.	0.94% p.a.
Interest Accrual Method:	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360
Interest Payment Dates:	Quarterly in arrear on the Interest Payment Dates falling in January, April, July and October in each year.				
First Interest Payment Date:	11 April 2006	11 April 2006	11 April 2006	11 April 2006	11 April 2006
Final Maturity Date:	October 2015	October 2041	October 2041	October 2041	October 2041
Debt for United States federal income tax purposes (investors should consult with their tax counsel):	See the considerations contained in *United States Federal Income Taxation*, below.				
ERISA Eligible (investors subject to ERISA should consult with their counsel):	See the considerations contained in *United States ERISA Considerations*, below.				
Application for Exchange Listing:	London	London	London	London	London
ISIN: 144A Notes	US38406CAA18	US38406CAB90	US38406CAC73	US38406CAD56	US38406CAE30
Common Code: 144A Notes	023796988	023797011	023797356	023797399	023797445
CUSIP Number:	38406C AA 1	38406C AB 9	38406C AC 7	38406C AD 5	38406C AE 3
ISIN: Reg S Notes	XS0236975990	XS0236976378	XS0236976451	XS0236976618	XS0236976881
Common Code: Reg S Notes	023697599	023697637	023697645	023697661	023697688
Expected Ratings (Moody's/S&P/Fitch):	Aaa/AAA/AAA	Aaa/AAA/AAA	Aa2/AA/AA	A1/A/A	Baa2/BBB/BBB

	Class A1c	Class A2c	Class Bc	Class Cc	Class Dc
Principal Amount:	€545,000,000	€780,000,000	€32,500,000	€15,000,000	€16,500,000
Credit enhancement:	Subordination of the Class B Notes, the Class C Notes, the Class D Notes and the Reserve Funds.	Subordination of the Class B Notes, the Class C Notes, the Class D Notes and the Reserve Funds.	Subordination of the Class C Notes, the Class D Notes and the Reserve Funds.	Subordination of the Class D Notes and the Reserve Funds.	The Reserve Funds.
Issue Price:	100%	100%	100%	100%	100%
Interest Rate:	Three-month EURIBOR + Margin	Three-month EURIBOR + Margin	Three-month EURIBOR + Margin	Three-month EURIBOR + Margin	Three-month EURIBOR + Margin
Margin until Interest Payment Date falling in January 2011:	0.04% p.a.	0.08% p.a.	0.18% p.a.	0.28% p.a.	0.47% p.a.
Margin after Interest Payment Date falling in January 2011:	0.08% p.a.	0.16% p.a.	0.36% p.a.	0.56% p.a.	0.94% p.a.
Interest Accrual Method:	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360
Interest Payment Dates:	Quarterly in arrear on the Interest Payment Date falling in January, April, July and October in each year.				
First Interest Payment Date:	11 April 2006	11 April 2006	11 April 2006	11 April 2006	11 April 2006
Final Maturity Date:	October 2015	October 2041	October 2041	October 2041	October 2041
Debt for United States federal income tax purposes (investors should consult with their tax counsel):	See the considerations contained in *United States Federal Income Taxation*, below.				
ERISA Eligible (investors subject to ERISA should consult with their counsel):	See the considerations contained in *United States ERISA Considerations*, below.				
Application for Exchange Listing:	London	London	London	London	London
ISIN: 144A Notes	US38406CAL72	US38406CAM55	US38406CAN39	US38406CAP86	US38406CAQ69
Common Code: 144A Notes	023797488	023797496	023797500	023797518	023797526
CUSIP Number:	38406C AL 7	38406C AM 5	38406C AN 3	38406C AP 8	38406C AQ 6
ISIN: Reg S Notes	XS0236977269	XS0236977343	XS0236977699	XS0236977939	XS0236978150
Common Code: Reg S Notes	023697726	023697734	023697769	023697793	023697815
Expected Ratings (Moody's/S&P/Fitch):	Aaa/AAA/AAA	Aaa/AAA/AAA	Aa2/AA/AA	A1/A/A	Baa2/BBB/BBB

TRANSACTION OVERVIEW

Description of the Notes, the Loans and their Related Security and the Transaction Documents

Status and Form of the Notes:

The Issuer will issue the following Notes under the Trust Deed:

- £100,000,000 Class A1a Asset Backed Floating Rate Notes due 2015 (the **Class A1a Notes**),
- £500,000,000 Class A2a Asset Backed Floating Rate Notes due 2041 (the **Class A2a Notes**),
- £600,000,000 Class A2d Asset Backed Floating Rate Notes due 2041 (the **Class A2d Notes**),
- £32,000,000 Class Ba Asset Backed Floating Rate Notes due 2041 (the **Class Ba Notes**),
- £17,000,000 Class Ca Asset Backed Floating Rate Notes due 2041 (the **Class Ca Notes**),
- £24,000,000 Class Da Asset Backed Floating Rate Notes due 2041 (the **Class Da Notes**),
- $1,560,000,000 Class A1b Asset Backed Floating Rate Notes due 2015 (the **Class A1b Notes**),
- $2,440,000,000 Class A2b Asset Backed Floating Rate Notes due 2041 (the **Class A2b Notes**),
- $4,000,000 Class Bb Asset Backed Floating Rate Notes due 2041 (the **Class Bb Notes**),
- $16,000,000 Class Cb Asset Backed Floating Rate Notes due 2041 (the **Class Cb Notes**),
- $34,000,000 Class Db Asset Backed Floating Rate Notes due 2041 (the **Class Db Notes**),
- €545,000,000 Class A1c Asset Backed Floating Rate Notes due 2015 (the **Class A1c Notes** and, together with the Class A1a Notes and the Class A1b Notes, the **Class A1 Notes**),
- €780,000,000 Class A2c Asset Backed Floating Rate Notes due 2041 (the **Class A2c Notes** and, together with the Class A2a Notes, the Class A2b **Notes** and the Class A2d Notes,, the **Class A2 Notes** and, the Class A2 Notes together with the Class A1 Notes, the **Class A Notes**),
- €32,500,000 Class Bc Asset Backed Floating Rate Notes due 2041 (the **Class Bc Notes** and, together with the Class Ba Notes and the Class Bb Notes, the **Class B Notes**),
- €15,000,000 Class Cc Asset Backed Floating Rate Notes due 2041 (the **Class Cc Notes** and, together with the Class Ca Notes and the Class Cb Notes, the **Class C Notes**), and
- €16,500,000 Class Dc Asset Backed Floating Rate Notes due 2041 (the **Class Dc Notes** and, together with the Class Da Notes and the Class Db Notes, the **Class D Notes**).

The Notes of each class will rank *pari passu* and rateably without any preference or priority among themselves as to payments of interest and principal.

Pursuant to the Deed of Charge, the Notes will all share the same Security. Certain other amounts, being the amounts owing to the other Secured Creditors (including the Residual Certificate Holders

(as defined below)), will also be secured by the Security. In the event of the Security being enforced (i) the Class A Notes will rank in priority to the Class B Notes, the Class C Notes and the Class D Notes; (ii) the Class B Notes will rank in priority to the Class C Notes and the Class D Notes; (iii) the Class C Notes will rank in priority to the Class D Notes; and (iv) the Class D Notes will rank in priority to the Residual Certificates. Certain amounts due by the Issuer to its other Secured Creditors will also rank in priority to the Class A Notes.

The Notes will be obligations of the Issuer only. The Notes will not be obligations of, or the responsibility of, any person other than the Issuer or guaranteed by, any person. In particular, the Notes will not be obligations of, or the responsibility of, or guaranteed by, any of the Seller, the Interest Rate Swap Provider, the Currency Swap Provider, the Arranger, the Managers, the Note Trustee, the Security Trustee, any company in the same group of companies as the Seller or the Managers or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Interest Rate Swap Provider, the Currency Swap Provider, the Arranger, the Managers, the Note Trustee, the Security Trustee or by any other person other than the Issuer.

The Residual Certificates:

On the Issue Date, the Issuer will issue certain Residual Certificates representing entitlement to Residual Payments during the periods ending January 2007, January 2008, January 2009 and October 2041, respectively (the **Residual Certificates**) to Barclays Bank PLC (together with the holders thereof from time to time, the **Residual Certificate Holders**). The Residual Certificates are not being offered by this Prospectus.

The Residual Certificates will entitle the Residual Certificate Holders on each Interest Payment Date to receive such residual amount (the **Residual Payment**) as is available for such purpose in accordance with the Pre-Enforcement Revenue Priority of Payments or the **Post-Enforcement Priority of Payments**, as applicable (following payment of or provision for all higher ranking items), divided by the number of Residual Certificates existing on the last Business Day (as defined below) of the calendar month immediately preceding the relevant Interest Payment Date (the **Residual Calculation Date**). The Residual Certificates will be issued in registered form only.

Following the earliest to occur of final redemption of the Notes, an enforcement of the Notes pursuant to Condition 11, or the exercise by the Post-Enforcement Call Option Holder of the Post Enforcement Call Option, payment of all sums in respect of the Residual Certificates by the Issuer will be made pursuant to the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments, as applicable. No termination payment or other amount will be payable in respect of the Residual Certificates and the Residual Certificates shall no longer constitute a claim against the Issuer.

Interest on the Notes:

The interest rates applicable to the Notes from time to time will be determined by reference (i) (in the case of the Sterling Notes) to the London Interbank Offered Rate for three-month sterling deposits (**Three-Month Sterling LIBOR**), (ii) (in the case of the Dollar Notes) to the London Interbank Offered Rate for three-month dollar deposits (**Three-Month USD LIBOR**) and (iii) (in the case of the Euro Notes) to the Euro-zone Interbank Offered Rate for three-month euro deposits (**Three-Month EURIBOR**) and (other than, in each

case, in respect of the first Interest Period in respect of which it will be determined by reference to a linear interpolation of three- and four-month Sterling LIBOR, USD LIBOR or EURIBOR, as the case may be, for all classes of Notes) plus, in each case, a margin which will differ for each class or, as applicable, each sub-class of each class of Notes. Sterling LIBOR will be determined on the first day for which the relevant interest rate will apply, and USD LIBOR and EURIBOR will be determined two relevant Business Days before the first day for which the relevant interest rate will apply (the **Interest Determination Date**).

The margins applicable to the Notes, and the Interest Periods for which such margins apply, will be as set out in *Key Characteristics of the Notes* above.

Interest payments on the Class B Notes will be subordinated to interest payments on the Class A Notes, interest payments on the Class C Notes will be subordinated to interest payments on the Class A Notes and the Class B Notes and interest payments on the Class D Notes will be subordinated to interest payments on the Class A Notes, the Class B Notes and the Class C Notes (see *Cashflows – Application of Available Revenue Receipts prior to service of a Note Acceleration Notice on the Issuer – Pre-Enforcement Revenue Priority of Payments*, below). This means that holders of the Class B Notes (the **Class B Noteholders**) will not be entitled to receive any payment of interest unless and until all amounts of interest then due to holders of the Class A Notes (the **Class A Noteholders**) have been paid in full, holders of the Class C Notes (the **Class C Noteholders**) will not be entitled to receive any payment of interest unless and until all amounts of interest then due to Class A Noteholders and Class B Noteholders have been paid in full and holders of the Class D Notes (the **Class D Noteholders**) will not be entitled to receive any payment of interest unless and until all amounts of interest then due to Class A Noteholders, Class B Noteholders and Class C Noteholders have been paid in full.

Payments of interest and termination payments due to the Currency Swap Provider under the Currency Swap Agreements (other than any termination payment due following a Currency Swap Provider Default or Currency Swap Provider Downgrade Event) will rank *pari passu* with payments due on the corresponding class of Notes that the relevant Currency Swap relates to.

Subject to the provisions of the next paragraph, to the extent that funds available to the Issuer on any Interest Payment Date, after applying such funds to pay accrued interest then due and payable on the Class B Notes, the Class C Notes and/or the Class D Notes then outstanding, are insufficient to pay in full interest otherwise due on the Class B Notes, the Class C Notes and/or the Class D Notes, the shortfall in the amount of interest due will not then be paid on such Interest Payment Date but will be deferred and will only be paid, in accordance with the relevant Priority of Payments, on subsequent Interest Payment Dates if and when permitted by any subsequent cash flow which is available after the Issuer's higher priorities have been discharged in full. Any interest not paid on the Notes when due will accrue interest and will be paid only to the extent there are funds available on a subsequent Interest Payment Date in accordance with the relevant Priority of Payments (as described in *Cashflows* below) and all deferred amounts (including interest thereon) will become immediately due and payable on the Final Maturity Date of the Notes or on any earlier date that the Notes are redeemed.

Interest will not be deferred on the Class A Notes (or the most senior class of Notes outstanding where one or more classes of Notes has been redeemed in full).

Failure to pay interest on the Class A Notes (or the most senior class of Notes outstanding where one or more classes of Notes has been redeemed in full) shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

Interest is payable in respect of the Notes in sterling (in the case of the Sterling Notes), in dollars (in the case of the Dollar Notes) and in euro (in the case of the Euro Notes). In respect of each class of Notes, interest is payable quarterly in arrear on the 11th day of January, April, July and October, in each year, or, if such day is not a Business Day, on the immediately succeeding Business Day (each such date being an **Interest Payment Date**).

An **Interest Period** in relation to the Notes is the period from (and including) an Interest Payment Date (except in the case of the first Interest Payment Date, where it shall be the period from and including the Issue Date) to (but excluding) the next succeeding Interest Payment Date.

Mandatory redemption:

Subject to the terms of the Deed of Charge, on each Interest Payment Date prior to the occurrence of a Pro-Rata Trigger Event, Available Principal Receipts will be applied sequentially to repay each class of the Class A1 Notes on a *pro rata* basis until repaid in full, then each class of the Class A2 Notes on a *pro rata* basis until repaid in full, then each class of the Class B Notes on a *pro rata* basis until repaid in full, then each class of the Class C Notes on a *pro rata* basis until repaid in full and then each class of the Class D Notes on a *pro rata* basis until repaid in full.

On each Interest Payment Date following the occurrence of a Pro-Rata Trigger Event, Available Principal Receipts will be applied to repay each class of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes on a *pro rata* basis, provided that such amounts available to be applied to repay the Class A Notes *pro rata* will be applied first to repay the Class A1 Notes and then to repay the Class A2 Notes.

Payments of principal due to the Currency Swap Provider under the Currency Swap Agreements will rank *pari passu* with payments due on the corresponding class of Notes that the relevant Currency Swap Agreement relates to.

A **Pro-Rata Trigger Event** will occur if on the Interest Payment Date falling in January 2011 or on any Interest Payment Date thereafter, X is greater than or equal to two times Y where:

X = the Sterling Equivalent Principal Amount Outstanding (as defined below) of the Class A Notes as at the Issue Date divided by the aggregate Sterling Equivalent Principal Amount Outstanding of the Class B Notes, the Class C Notes and the Class D Notes as at the Issue Date; and

Y = the Sterling Equivalent Principal Amount Outstanding of the Class A Notes as at any Calculation Date (as defined below) divided by the aggregate Sterling Equivalent Principal Amount Outstanding of the Class B Notes, the Class C Notes and the Class D Notes as at such Calculation Date,

provided that none of the following events has occurred and is subsisting:

(a) the total principal balance of all amounts outstanding of all Loans in the Portfolio which are 90 days or more in arrears

exceeds 3 per cent. of the total principal balance of all the Loans in the Portfolio; or

(b) an amount has been drawn on the Reserve Funds which has not been replenished.

The Pro-Rata Trigger Event will be tested by the Cash Manager on each Calculation Date.

Investors should note that principal repayments may be made in respect of lower ranking classes of Notes *pro rata* with higher ranking classes of Notes following the occurrence of a Pro-Rata Trigger Event.

If any of the events set out in paragraphs (a) or (b) above should occur, then Available Principal Receipts will not be applied to repay the Notes on a pro rata basis but will continue to be applied to repay the Notes on a sequential basis as described above.

The **Sterling Equivalent Principal Amount Outstanding** means (a) in relation to a Note or class of Notes which is denominated in a currency other than sterling, the sterling equivalent of the Principal Amount Outstanding of such Note or class of Notes ascertained using the Relevant Exchange Rate relating to such Note or class of Notes, and (b) in relation to any other Note or class of Notes, the Principal Amount Outstanding of such Note or class of Notes; and **Relevant Exchange Rate** means in relation to a Note or class of Notes the exchange rate specified in the relevant Currency Swap Agreement relating to such Note or class of Notes or, if that Currency Swap Agreement has terminated, the applicable spot rate determined by the Cash Manager.

Optional redemption in full:

Upon giving not more than 60 nor less than 30 days' notice to the relevant Noteholders in accordance with Condition 15 of the terms and conditions of the Notes (the **Conditions**), to the Note Trustee and the Swap Provider, and provided that (a) on or prior to the Interest Payment Date on which such notice expires, no Note Acceleration Notice has been served and (b) the Issuer has, immediately prior to giving such notice, provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that the Issuer will have the necessary funds to pay all principal and interest due in respect of the relevant class or classes of Notes on the relevant Interest Payment Date and to discharge all other amounts required to be paid by it on the relevant Interest Payment Date, the Issuer may at its option redeem all (but not some only) of the Notes on the following dates:

(a) the Step-Up Date or any Interest Payment Date falling after the Step-Up Date (See Condition 7.3(a)(iii)(A) of the Notes); or

(b) any Interest Payment Date following receipt by the Issuer of a notice from the Administrator under the Administration Agreement that the Administrator intends to exercise its option under the Administration Agreement to repurchase all the Loans and their Related Security from the Issuer on any Interest Payment Date following a date on which the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes will be less than 10 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes on the Issue Date (see Condition 7.3(a)(iii)(B) of the Notes).

Any Note redeemed pursuant to Condition 7.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to but excluding the date of redemption (see Condition 7.3 of the Notes).

Optional redemption for tax or other reasons:

Subject to the Conditions, if by reason of a change in tax law which becomes effective on or after the Issue Date, the Issuer or the Paying Agents would be required (on the next Interest Payment Date) to deduct or withhold from any payment of principal or interest on any class of the Notes any amount for any present or future taxes assessed in the United Kingdom (or any political subdivision thereof), then the Issuer shall use its reasonable endeavours to appoint a Paying Agent in another jurisdiction or arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes.

The Note Trustee is prohibited from approving any such substitution unless the Note Trustee is satisfied that (1) such substitution will not be materially prejudicial to the interests of the Noteholders (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on any confirmation from the Rating Agencies that the then current ratings of the Notes would not be adversely affected); and (2) the Security Trustee is satisfied that the position of the Secured Creditors will not thereby be adversely affected; and (3) such substitution would not require registration of any new security under US securities laws or materially increase the disclosure requirements under US law.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that taking the actions as described above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such a substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice to the Note Trustee, the Swap Provider and Noteholders in accordance with Condition 15, redeem all (but not some only) of the Notes on the next following Interest Payment Date at their aggregate Principal Amount Outstanding together with any interest accrued (and unpaid) thereon. The Issuer may only redeem the Notes as described above, if the Note Trustee is satisfied that the Issuer will have the funds required to redeem the Notes and to discharge any amounts required to be paid in priority to or *pari passu* with the Notes.

Redemption or purchase following a regulatory event:

If:

(a) the Basel Framework (as described in the document titled "*The International Convergence of Capital Measurement and Capital Standards: A Revised Framework*" published in June 2004 by the Basel Committee on Banking Supervision) has been implemented in the United Kingdom, whether by rule of law, recommendation of best practices or by any other regulation (including pursuant to implementation in the United Kingdom of the EU Capital Requirements Directive);

(b) a Note Acceleration Notice has not been served on the relevant Interest Payment Date for the exercise of the Purchase Option (as defined below) or Redemption Option (as defined below), as the case may be;

(c) the Issuer has given not more than 60 days' and not less than 30 days' (or such shorter period as may be required by any relevant law) prior written notice to the Note Trustee, the Swap Provider and the Noteholders, in accordance with Condition 15 of the exercise of the Purchase Option or Redemption Option, as the case may be;

(d) each Rating Agency has confirmed to the Issuer in writing that its then current ratings of the Notes would not be adversely affected by the exercise of the Purchase Option or Redemption Option, as the case may be; and

(e) prior to giving any such notice, the Issuer shall have provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that the Issuer will have sufficient funds to purchase or redeem, as the case may be, the Called Notes and amounts ranking in priority thereto in the Pre-Enforcement Revenue Priority of Payments,

then:

(i) the Issuer has the right (the **Purchase Option**) to require holders of all but not some only of the Class B Notes, the Class C Notes and the Class D Notes (collectively, the **Called Notes**) to transfer the Called Notes to the Issuer (or its assignee) on any Interest Payment Date for a price equal to the Principal Amount Outstanding of the Called Notes together with accrued interest; or

(ii) the Issuer may redeem (the **Redemption Option**) the Called Notes on any Interest Payment Date for a price equal to the Principal Amount Outstanding of the Called Notes together with accrued interest.

The Called Notes transferred to the Issuer pursuant to the Purchase Option will remain outstanding until the date on which they would otherwise be redeemed or cancelled in accordance with the Conditions.

Subject to the terms of the Conditions, the Note Trustee will concur with the other transaction parties to amend the Transaction Documents and the Conditions to the extent necessary or desirable to permit and give effect to the exercise of the Purchase Option.

Each holder of Called Notes shall be deemed to have authorised and instructed Euroclear, Clearstream, Luxembourg or DTC, as the case may be, to effect the transfer of its Called Notes on the relevant Interest Payment Date to the Issuer (or its assignee), in accordance with the rules for the time being of Euroclear, Clearstream, Luxembourg or DTC, as the case may be.

On the Business Day following the Issue Date, the Issuer shall irrevocably novate its rights and obligations under the Purchase Option and the Redemption Option to Barclays Bank PLC pursuant to a deed of novation between the Issuer, the Note Trustee and Barclays Bank PLC. Accordingly, following such assignment and novation, Barclays Bank PLC may exercise all rights of the Issuer under the Redemption Option and the Purchase Option and if Barclays Bank PLC exercises the Purchase Option then the holders of the Called Notes will transfer the Called Notes to Barclays Bank PLC.

Purchase of Notes:

Unless it is provided for in or permitted by the terms of the Transaction Documents, the Issuer shall not purchase any Notes.

Final maturity:

Unless previously redeemed in full, the Notes will mature on the Interest Payment Date falling in:

(a) October 2015, in respect of the Class A1a Notes;

(b) October 2041, in respect of the Class A2a Notes;

(c) October 2041, in respect of the Class A2d Notes;

(d) October 2041, in respect of the Class Ba Notes;

(e) October 2041, in respect of the Class Ca Notes;

(f) October 2041, in respect of the Class Da Notes;

(g) October 2015, in respect of the Class A1b Notes;

(h) October 2041, in respect of the Class A2b Notes;

(i) October 2041, in respect of the Class Bb Notes;

(j) October 2041, in respect of the Class Cb Notes;

(k) October 2041, in respect of the Class Db Notes;

(l) October 2015, in respect of the Class A1c Notes;

(m) October 2041, in respect of the Class A2c Notes;

(n) October 2041, in respect of the Class Bc Notes;

(o) October 2041, in respect of the Class Cc Notes; and

(p) October 2041, in respect of the Class Dc Notes,

being, respectively, the **Final Maturity Date** of each such class, or sub-class, of the Notes.

Cancellation of Residual Certificates:

The Residual Certificates will no longer constitute claims against the Issuer following a redemption of all (but not some only) of the Notes, payment by the Issuer of all sums to be applied pursuant to the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments, as applicable, or the exercise by the Post-Enforcement Call Option Holder of the Post-Enforcement Call Option. The Residual Certificate Holders will not receive any amounts standing to the credit of the Reserve Fund or any premia on any sale of the Loans in the Portfolio.

Post-Enforcement Call Option:

The Note Trustee will, on the Issue Date, grant to the Post-Enforcement Call Option Holder (pursuant to a post-enforcement call option agreement to be entered into on or about the Issue Date between the Issuer, the Post-Enforcement Call Option Holder, the Note Trustee and the Security Trustee (the **Post-Enforcement Call Option Agreement**)) an option to require the transfer to the Post-Enforcement Call Option Holder, for a nominal amount, of all (but not some only) of the Class B Notes (together with accrued interest thereon), an option to require the transfer to the Post-Enforcement Call Option Holder, for a nominal amount, of all (but not some only) of the Class C Notes (together with accrued interest thereon) and an option to require the transfer to the Post-Enforcement Call Option Holder, for a nominal amount, of all (but not some only) of the Class D Notes (together with accrued interest thereon), in the event that the Security is enforced and, after payment of all other claims ranking in priority to the Class B Notes and/or the Class C Notes and/or the Class D Notes under the Deed of Charge, the remaining proceeds of such enforcement are insufficient to pay in full all principal, interest and other amounts due in respect of the Class B Notes and/or the Class C Notes and/or the Class D Notes (as the case may be) and all other claims ranking *pari passu* therewith. The Class B Noteholders, the Class C Noteholders and the Class D Noteholders will be bound by the terms and conditions of the Trust Deed and the Conditions in respect of the post enforcement call option and the Note Trustee will be irrevocably authorised to enter into the Post-Enforcement Call Option Agreement as agent for the Class B Noteholders, the Class C Noteholders and the Class D Noteholders.

Withholding tax:

Payments of interest and principal with respect to the Notes will be subject to any applicable withholding or deduction for or on account of any taxes and the Issuer will not be obliged to pay additional amounts in relation thereto, subject as provided above. The applicability of any withholding or deduction for or on account of UK taxes is discussed further under *United Kingdom Taxation*, below.

Expected average lives of the Notes:

The actual average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Loans and a number of other relevant factors are unknown. However, calculations

	of the possible average lives of the Notes can be made based on certain assumptions as described under *Expected Average Lives of the Notes*. However, in certain circumstances as set out in *Risk Factors – Issuer's ability to meet its obligations under the Notes – Considerations relating to yield, prepayments and mandatory redemptions*, below, the actual average lives of the Notes may be shorter or longer than the expected average lives of the Notes.
Ratings:	The rating expected to be assigned to each class of Notes on or about the Issue Date by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. (**Standard & Poor's** or **S&P**), Moody's Investors Service Limited (**Moody's**) and Fitch Ratings Ltd (**Fitch**, and, together with Standard & Poor's and Moody's, the **Rating Agencies**, which term includes any further or replacement rating agency appointed by the Issuer with the approval of the Note Trustee to give a credit rating to the Notes or any class thereof) are set out in *Key Characteristics of the Notes*, above. The issue of the Residual Certificates is not conditional upon a rating and the Issuer has not requested any rating of the Residual Certificates. **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 the assigning rating organisation if, in its judgment, circumstances (including without limitation, a reduction in the credit rating of the Account Bank, the Swap Providers and/or the GIC Provider) in the future so warrant.**
Listing:	Application has been made to the UK Listing Authority to list each class, or sub-class, of the Notes on the Official List maintained by the UK Listing Authority and to the London Stock Exchange to admit the Notes to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. The Residual Certificates will not be listed on any stock exchange.
Debt for US tax purposes:	The Issuer intends to take the position that the Notes represent debt for United States federal income tax purposes. The Issuer has received a legal opinion to the effect that, although there is no precedent directly on point and the matter is not free from doubt, the Class A Notes, the Class B Notes, and the Class C Notes will, and the Class D Notes should, when issued, be treated as indebtedness for U.S. federal tax purposes. Investors should read *United States Federal Income Taxation*, below. Each holder, by purchasing the Notes, agrees to treat such Notes as indebtedness for U.S. Federal Income Tax purposes.
ERISA eligibility:	Subject to the important considerations described under *United States ERISA Considerations*, below, the Class A Notes, the Class B Notes and the Class C Notes are eligible for purchase by persons investing assets of employee benefit or other plans or individual retirement accounts subject to Title I of ERISA or Section 4975 of the Code. The Class D Notes are not eligible for purchase by persons investing assets of employee benefit or other plans or individual retirement accounts subject to Title I of ERISA or Section 4975 of the Code, other than insurance companies investing assets of their general accounts if certain requirements are satisfied. See *United States ERISA Considerations*, below.
Sale of Initial Portfolio:	The primary source of funds available to the Issuer to pay interest and principal on the Notes is the Revenue Receipts and Principal Receipts generated by the Loans in the Portfolio.

Pursuant to a mortgage sale agreement that will be entered into on or about the Issue Date by the Seller and the Issuer (the **Mortgage Sale Agreement**), the Seller will sell its interest in the Initial Portfolio to the Issuer on or about the Issue Date. The sale by the Seller to the Issuer on or about the Issue Date of each Loan in the Initial Portfolio which is secured by a mortgage over a property located in England or Wales (**Loans** and **Mortgages** respectively) will be given effect by an equitable assignment.

Prior to the occurrence of a Seller Insolvency Event (as defined below) or a Seller Downgrade Event (as defined below), notice of the sale of the Portfolio will not be given to the relevant borrowers (**Borrowers**) under those Loans to be transferred and the Issuer will not apply to the Land Registry or the Central Land Charges Registry to register or record its equitable or beneficial interest in the Mortgages.

The Loans:

The **Portfolio** will consist of the Loans comprising the Initial Portfolio but will exclude any Loans and their Related Security which have been fully redeemed or repurchased by the Seller.

As at the Issue Date, the Loans in the Portfolio will comprise:

Fixed Rate Loans: mortgage loans subject to a fixed interest rate for a specified period of time and at the expiration of that period generally convert to Variable Rate Loans (as defined below). An early repayment charge may be payable in respect of these mortgage loans for a set period of time, which generally coincides with the period of the fixed rate.

Variable Rate Loans: mortgage loans subject to Barclays Standard Variable Rate (as defined in *The Loans – Interest payments and setting of interest rates*). These mortgage loans may have an early repayment charge for a specified period of time.

Discounted Rate Loans: mortgage loans which allow the borrower to pay interest at a specified discount to Barclays Standard Variable Rate. At the end of the discounted period these mortgage loans generally convert to either Variable Rate Loans or Tracker Rate Loans. An early repayment charge may be payable in respect of these mortgage loans for a set period of time, which generally coincides with the term of the discounted rate.

Tracker Rate Loans: mortgage loans subject to a variable rate of interest that is linked to the Barclays Base Rate plus an additional fixed percentage.

If a Borrower requests a further advance under a Loan (**Further Advance**) or a Product Switch of a Loan (**Product Switch**), it may only be granted if the Seller elects to repurchase the relevant Loan (including that Further Advance or Product Switch) and its Related Security from the Issuer.

Any reference to the outstanding current balance of the Loans includes capitalised arrears of interest and expenses.

As at the Issue Date, the Loans in the Portfolio will each have had an original repayment term of up to 35 years. No Loan in the Portfolio will have a final repayment date beyond two years prior to the latest Final Maturity Date for the Notes.

All the Loans are secured by first ranking legal charges over freehold or leasehold properties located in England or Wales.

The Issuer will have the benefit of warranties (the **Loan Warranties**) given, or to be given, by the Seller as at the Issue Date in relation to the Loans and their Related Security, including warranties in relation to the Lending Criteria applied in advancing the Loans. It should be noted that the Loan Warranties may be amended from time to time with the prior consent of the Rating Agencies. The consent of the

Noteholders in relation to such amendments will not be obtained if the Note Trustee has received written confirmation that the Rating Agencies will not downgrade, withdraw, or qualify the ratings of the Notes as a result of those amendments.

The Seller will be required to repurchase any Loan sold pursuant to the Mortgage Sale Agreement if any Loan Warranty made by the Seller in relation to that Loan and/or its Related Security proves to be materially untrue as at the date that the Issuer may direct and that default has not been remedied within 20 London Business Days of receipt of notice from the Issuer.

As at 30 September 2005, in relation to the Loans to be sold to the Issuer on or about the Issue Date (the **Provisional Portfolio**): (1) the weighted average loan to value of those Loans was 60.10 per cent.; (2) the weighted average seasoning of those Loans was 6.08 years; and (3) the Loans are secured by Mortgages over properties situated in England and Wales.

Administration:

Pursuant to the Administration Agreement, the Administrator has agreed to service the Loans and their Related Security on behalf of the Issuer (such services, *inter alia*, the **Administration Services**).

The Administration Services include collecting payments on the Loans and transferring the same to the Issuer's GIC Account on a daily basis; enforcing mortgages that are in arrears; and setting the variable interest rates on the Variable Rate Loans and the variable margins on the Tracker Rate Loans and the Discounted Rate Loans.

Interest Rate Swap Agreement:

Payments received by the Issuer under the Loans will be subject to variable and fixed rates of interest. To hedge the potential variance between these rates and Three-Month Sterling LIBOR, the Issuer will enter into the Interest Rate Swap(s) with the Interest Rate Swap Provider and the Security Trustee under the Interest Rate Swap Agreement.

Currency Swap Agreements:

Payments received by the Issuer under the Loans will be in sterling. To enable the Issuer to make payments on the Interest Payment Dates in respect of the Dollar Notes, the Issuer will enter into the Dollar Currency Swaps with the Dollar Currency Swap Provider and the Security Trustee under the relevant Dollar Currency Swap Agreement.

Similarly, to enable the Issuer to make payments on the Interest Payment Dates in respect of the Euro Notes, the Issuer will enter into the Euro Currency Swaps with the Euro Currency Swap Provider and the Security Trustee under the relevant Euro Currency Swap Agreement.

Start-up Loan Agreement:

The Issuer will enter into the Start-up Loan Agreement on or about the Issue Date with the Start-up Loan Provider, pursuant to which the Start-up Loan Provider will advance a loan (the **Start-Up Loan**) on or about the Issue Date in the amount of approximately £39.5 million which will be used to meet certain of the Issuer's expenses in connection with the issue of the Notes and to fund the Reserve Fund.

Bank Account Agreement:

The Issuer will enter into the Bank Account Agreement with the Account Bank on or about the Issue Date. The Issuer will have two bank accounts, a GIC Account, pursuant to which the Account Bank will agree to pay interest on the GIC Account at a specified rate and a Transaction Account (collectively, the **Bank Accounts**). All payments received on the Loans will be paid into the GIC Account.

On each Interest Payment Date, the Cash Manager will transfer moneys from the GIC Account to the Transaction Account. Moneys will be applied from the Transaction Account in accordance with the relevant Priority of Payments.

RISK FACTORS

The following is a summary of certain aspects of the issues about which prospective Noteholders should be aware. This summary is not intended to be exhaustive and prospective Noteholders should also read the detailed information set out elsewhere in this Prospectus.

Risk factors relating to the Issuer:

Liabilities under the Notes

The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of Barclays Bank PLC, the Arranger, the Managers, the Note Trustee, the Security Trustee, the Currency Swap Provider, the Interest Rate Swap Provider, the Account Bank, the Corporate Services Provider, or by any person other than the Issuer.

Limited source of funds

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent primarily on receipts from the Loans in the Portfolio (including, amounts standing to the credit of the Reserve Funds, interest earned on the Bank Accounts and the receipts under the Interest Rate Swaps). In addition, the Issuer will rely on the Dollar Currency Swaps and the Euro Currency Swaps in order to make payments on the Notes denominated in dollars or euro, respectively.

Considerations relating to yield, prepayments and mandatory redemptions

The yield to maturity of the Notes of each class will depend on, *inter alia*, the amount and timing of payment of principal on the Loans and the price paid by the holders of the Notes of each class. Prepayments on the Loans may result from refinancings, sales of properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgages, as well as the receipt of proceeds under the insurance policies. In addition, repurchases of Loans required to be made under the Mortgage Sale Agreement will have the same effect as a prepayment of such Loans. The yield to maturity of the Notes of each class may be adversely affected by a higher or lower than anticipated rate of prepayments on the Loans. See *Expected Average Lives of the Notes*, below.

The rate of prepayment of Loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. Generally, when market interest rates increase, Borrowers are less likely to prepay their mortgage loans, while conversely, when market rates decrease, Borrowers are generally more likely to prepay their mortgage loans. For instance, Borrowers may prepay Loans when they refinance their Loans or sell their properties (either voluntarily or as a result of enforcement action taken). In addition, if the Seller is required to repurchase a Loan or Loans under a mortgage account and their Related Security because, for example, one of the Loans does not comply with the representations and warranties in the Mortgage Sale Agreement, then the payment received by the Issuer will have the same effect as a prepayment of all the Loans under that mortgage account. Because these and other relevant factors are not within the control of the Issuer, no assurance can be given as to the level of prepayments that the Portfolio will experience.

Payments and prepayments of principal on the Loans will be applied to reduce the Principal Amount Outstanding of the Notes on a pass-through basis on each Interest Payment Date in accordance with the Pre-Enforcement Principal Priority of Payments (see *Cashflows*).

Following enforcement of the Security, there is no guarantee that the Issuer will have sufficient funds to redeem the Notes in full.

Subordination of other classes of Notes in relation to interest

The Class B Notes, the Class C Notes and the Class D Notes are subordinated in right of payment of interest to the Class A Notes. The Class C Notes and the Class D Notes are subordinated in right of payment of interest to the Class B Notes. The Class D Notes are subordinated in right of payment of interest to the Class C Notes. There is no assurance that these subordination rules will protect the holders of Class A Notes, Class B Notes, Class C Notes or the Class D Notes from all risk of loss.

Subordination of other classes of Notes in relation to principal

Prior to the occurrence of a Pro-Rata Trigger Event, the Class B Notes, the Class C Notes and the Class D Notes are subordinated in right of payment of principal to the Class A Notes. The Class C Notes and the Class D Notes are subordinated in right of payment of principal to the Class B Notes. The Class D Notes are subordinated in right of payment of principal to the Class C Notes. There is no assurance that these subordination rules will protect the holders of Class A Notes, Class B Notes, Class C Notes or Class D Notes from all risk of loss.

Following the occurrence of a Pro-Rata Trigger Event, each of the holders of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes shall be repaid principal on a pro-rata basis, based on the aggregate Sterling Equivalent Principal Amount Outstanding of a class of Notes to the aggregate Sterling Equivalent Principal Amount Outstanding of all the Notes. This means that lower ranking classes of Notes will be repaid principal in the same priority as higher ranking classes of Notes.

Subordination of other classes of Notes following service of a Note Acceleration Notice on the Issuer

The terms on which the security for the Notes will be held will provide that, following service of a Note Acceleration Notice on the Issuer, payments will rank in the order of priority set out in *Cashflows – Post-Enforcement Priority of Payments*. In the event that the security for the Notes is enforced, no amounts will be paid to the Class B Noteholders until all amounts owing to the Class A Noteholders have been paid in full and no amounts will be paid to the Class C Noteholders until all amounts owing to the Class A Noteholders and the Class B Noteholders have been paid in full and no amounts will be paid to the Class D Noteholders until all amounts owing to the Class A Noteholders, the Class B Noteholders and the Class C Noteholders have been paid in full. There is no assurance that these subordination provisions will protect the holders of Class A Notes or Class B Notes or Class C Notes or Class D Notes from all risk of loss.

Deferral of interest payments

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of the Class B Notes, the Class C Notes and/or the Class D Notes after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then the Issuer will be entitled under Condition 16 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of the Class B Notes, the Class C Notes or the Class D Notes, as the case may be, become immediately due and repayable in full in accordance with the Conditions. This will not constitute an Event of Default. If there are no Class A Notes then outstanding, the Issuer will be entitled, under Condition 16 (*Subordination by Deferral*), to defer payments of interest in respect of the Class C Notes and the Class D Notes only. If there are no Class B Notes outstanding, the Issuer will be entitled, under Condition 16 (*Subordination by Deferral*), to defer payments of interest in respect of the Class D Notes only.

Failure to pay interest on the Class A Notes (or the most senior class of Notes outstanding where one or more classes of Notes has been redeemed in full) shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

Income and principal deficiency

If, on any Interest Payment Date, as a result of shortfalls in Available Revenue Receipts relative to interest due on the D Notes and amounts ranking in priority thereto there is an Income Deficit (as defined herein), then subject to certain conditions set out in *Cashflows – Application of Principal Receipts and Liquidity Reserve Fund amounts to cover shortfalls*, the Issuer may apply firstly Principal Receipts (if any) and secondly amounts standing to the credit of the Liquidity Reserve Fund (if established) to make up the shortfall. In this event, the consequences set out in the following paragraph may result.

Application, as described above, of any Principal Receipts to meet any Income Deficit will be recorded first on the Class D Principal Deficiency Sub Ledger until the balance of the Class D Principal Deficiency Sub Ledger is equal to the aggregate Sterling Equivalent Principal Amount Outstanding of the Class D Notes; then on the Class C Principal Deficiency Sub Ledger until the balance of the Class C Principal Deficiency Sub Ledger is equal to the aggregate Sterling Equivalent Principal Amount Outstanding of the Class C Notes; and then on the Class B Principal Deficiency Sub Ledger until the balance of the Class B Principal Deficiency Sub Ledger is equal to the aggregate Sterling Equivalent Principal Amount Outstanding of the Class B Notes; and finally on the Class A Principal Deficiency Sub Ledger until the balance of the Class A Principal Deficiency Sub Ledger is equal to the aggregate Sterling Equivalent Principal Amount Outstanding of the Class A Notes.

It is expected that during the course of the life of the Notes, principal deficiencies will be recouped from Available Revenue Receipts. Available Revenue Receipts will be applied, after meeting prior ranking obligations as set out under the Pre-Enforcement Revenue Priority of Payments, first to credit the Class A Principal Deficiency Sub Ledger and secondly (once the balance on the Class A Principal Deficiency Sub Ledger is reduced to nil) to credit the Class B Principal Deficiency Sub Ledger and thirdly (once the balance on the Class B Principal Deficiency Sub Ledger is reduced to nil) to credit the Class C Principal Deficiency Sub Ledger and fourthly (once the balance on the Class C Principal Deficiency Sub Ledger is reduced to nil) to credit the Class D Principal Deficiency Sub Ledger.

If there are insufficient funds available as a result of such income or principal deficiencies, then one or more of the following consequences may ensue:

- the interest and other net income of the Issuer may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, interest due on the Notes; and
- there may be insufficient funds to repay the Notes on or prior to the Final Maturity Date of the Notes unless the other net income of the Issuer is sufficient, after making other payments to be made in priority thereto, to reduce to nil the balance on the Principal Deficiency Ledger.

Ratings of the Notes

The ratings address the likelihood of full and timely payment to the Noteholders of all payments of interest on each Interest Payment Date and (in the case of Standard & Poor's) timely, or (in the case of Moody's and Fitch) ultimate, payment of principal on the Final Maturity Date of each class of Notes.

The expected ratings of the Notes on the Issue Date are set out in *Ratings*, below. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances (including without limitation, a reduction in the credit rating of the Dollar Currency Swap Provider and/or the Euro Currency Swap Provider and/or the GIC Provider) in the future so warrant.

Conflict of Interest

The Deed of Charge contains provisions requiring the Security Trustee to have regard to the interests of each of the Secured Creditors as regards all of its powers, trusts, authorities, duties and discretions, but requiring the Security Trustee, in the event of a conflict between the interests of the Noteholders and any other Secured Creditors, to have regard only (except where expressly required otherwise) to the interests of the Noteholders.

In addition, under the Deed of Charge, the Security Trustee is permitted to agree to certain matters, including modifications to any of the Transaction Documents or the Notes and waivers in respect of any breach thereof provided that, in its opinion, any such matter would not be materially prejudicial to the Noteholders and the other Secured Creditors. In determining whether a proposed action will not be materially prejudicial to the Noteholders or the other Secured Creditors, the Security Trustee may, among other things, have regard to whether the Rating Agencies have confirmed to the Issuer that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current rating of the Notes.

Conflict between classes of Noteholders

Each of the Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee to have regard to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise). If, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, however, there is or may be a conflict between the interests of the Class A Noteholders on one hand and the interests of the Class B Noteholders, the Class C Noteholders and/or the Class D Noteholders on the other hand, then the Note Trustee or, as the case may be, the Security Trustee is required to have regard only to the interests of the Class A Noteholders. Subject thereto if, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, there is or may be a conflict between the interests of the Class B Noteholders on one hand and the interests of the Class C Noteholders and/or the Class D Noteholders on the other hand, then the Note Trustee or, as the case may be, the Security Trustee is required to have regard only to the interests of the Class B Noteholders. Subject thereto if, in the Note Trustee's or, as the case may be, the Security Trustee's

opinion, there is or may be a conflict between the interests of the Class C Noteholders and the Class D Noteholders, then the Note Trustee or, as the case may be, the Security Trustee is required to have regard only to the interests of the Class C Noteholders. Subject thereto if, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, there is or may be a conflict between the interests of the Class D Noteholders and the interests of the other persons entitled to the benefit of the Issuer Security, then the Note Trustee or, as the case may be, the Security Trustee is required to have regard only to the interests of the Class D Noteholders.

The Residual Certificates

In respect of the interests of the Residual Certificate Holders, the Trust Deed contains provisions requiring the Note Trustee not to have regard to the interests of the Residual Certificate Holders as regards all powers, trusts, authorities, duties and discretions of the Note Trustee. The Note Trustee may only be directed by the Residual Certificate Holders, and any Extraordinary Resolution of the Residual Certificate Holders will only be effective, if the Note Trustee is of the opinion that the effect of the same will not be materially prejudicial to the interests of any or all of the Noteholders or is sanctioned by an Extraordinary Resolution of each class of Noteholders.

Book-Entry Interests

Unless and until Definitive Notes are issued in exchange for the Book-Entry Interests, holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of Notes under the Trust Deed. After payment to the UK Principal Paying Agent, the Issuer will not have responsibility or liability for the payment of interest, principal or other amounts to DTC, Euroclear or Clearstream, Luxembourg or to holders or beneficial owners of Book-Entry Interests.

Cede & Co. will be considered the registered holder of Notes as shown in the records of DTC, Euroclear or Clearstream, Luxembourg and will be the sole legal Noteholder of the Rule 144A Global Notes under the Trust Deed while the Notes are represented by the Global Notes. A nominee of The Bank of New York will be considered the registered holder of Notes as shown in the records of DTC, Euroclear or Clearstream, Luxembourg and will be the sole legal Noteholder of the Reg S Global Notes under the Trust Deed while the Notes are represented by the Global Notes. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of DTC, Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

Holders of beneficial interests in the Rule 144A Global Notes denominated in sterling or euro held directly with DTC or through its participants must give advance notice to the Exchange Agent 15 days prior to each Interest Payment Date that they wish payments on such Rule 144A Global Notes to be made to them in sterling or euro outside DTC. If such instructions are not given, sterling or euro payments on the Rule 144A Global Notes will be exchanged for US dollars by the Exchange Agent prior to their receipt by DTC and the affected Noteholders will receive US dollars on the relevant Interest Payment Date. See *Description of the Notes – Denomination of Payments*.

Payments of principal and interest on, and other amounts due in respect of, the Global Notes will be made by the UK Principal Paying Agent to Cede & Co. (as nominee of DTC) in the case of the Rule 144A Global Notes and to The Bank of New York Depository (Nominees) Limited (as Common Depository for Euroclear and Clearstream, Luxembourg) in the case of the Reg S Global Notes. Upon receipt of any payment from the UK Principal Paying Agent, DTC, Euroclear and Clearstream, Luxembourg, as applicable, will promptly credit participants' accounts with payment in amounts proportionate to their respective ownership of Book-Entry Interests as shown on their records. The Issuer expects that payments by participants or indirect payments to owners of Book-Entry Interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in ''street name'', and will be the responsibility of such participants or indirect participants. None of the Issuer, the Note Trustee, the Security Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

Unlike Noteholders, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by or on behalf of the Issuer for consents or requests by or on behalf of the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act

only to the extent it has received appropriate proxies to do so from DTC, Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default under the Notes, holders of Book-Entry Interests will be restricted to acting through DTC, Euroclear and Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the relevant provisions described herein under *Terms and Conditions of the Notes*. There can be no assurance that the procedures to be implemented by DTC, Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among participants of DTC and account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Note Trustee, the Security Trustee or any of their agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

Because transactions in the Rule 144A Global Notes will be effected only through DTC, direct or indirect participants in DTC's book-entry system and certain banks, the ability of a holder to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such interests, may be limited due to the lack of physical security representing such interest.

Certain transfers of Notes or interests therein may only be effected in accordance with, and subject to, certain transfer restrictions and certification requirements.

Currency Risk and Interest Rate Risk

The Loans in the Portfolio will be denominated in Sterling while the Dollar Notes will be denominated in dollars and the Euro Notes will be denominated in euro. In addition, the Loans are subject to variable and fixed interest rates while the Issuer's liabilities under the Sterling Notes and Currency Swaps are based on Three-Month Sterling LIBOR.

To hedge its currency and interest rate exposure, the Issuer will, therefore, enter into (i) each Dollar Currency Swap relating to the Dollar Notes, on or about the Issue Date with the Dollar Currency Swap Provider, (ii) each Euro Currency Swap relating to the Euro Notes, on or about the Issue Date with the Euro Currency Swap Provider and (iii) the Interest Rate Swap(s), on or about the Issue Date with the Interest Rate Swap Provider (see *Credit Structure – Currency Risk for the Dollar Denominated Notes and the Euro Denominated Notes* and – *Interest Rate Risk for the Notes* – below).

A failure by a Swap Provider to make timely payments of amounts due under a Swap Agreement will constitute a default thereunder. Each Swap Provider is obliged to make payments under a swap only to the extent that the Issuer makes payments under it. To the extent that a Currency Swap Provider defaults in its obligations under a Currency Swap to provide the Issuer with an amount in dollars or euros, as applicable, equal to the full amount of interest due on the Euro Notes or Dollar Notes, as applicable, on any payment date under the relevant swap (each of which corresponds to an Interest Payment Date), the Issuer will be exposed to changes in dollar/sterling or euro/sterling currency exchange rates, as applicable, and to changes in the associated interest rates on those currencies. Unless one or more comparable replacement currency swaps are entered into, the Issuer may have insufficient funds, after spot exchanging sterling into dollars and euro, as applicable, to make payments due on the Notes. To the extent that the Interest Rate Swap Provider defaults in its obligations under an Interest Rate Swap to make payments to the Issuer in sterling calculated by reference to Three-Month Sterling LIBOR on any payment date under the relevant swap (each of which corresponds to an Interest Payment Date), the Issuer will be exposed to the possible variance between various fixed and variable rates payable on the Loans in the Portfolio and Three-Month Sterling LIBOR. Unless one or more comparable replacement interest rate swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes.

Each Swap Agreement will provide that, upon the occurrence of certain events, the relevant swap may terminate and a termination payment by either the Issuer or the Swap Provider will be payable based on the cost of a replacement swap. In relation to the Currency Swaps, any termination payment due by the Issuer (other than a Currency Swap Excluded Termination Amount and to the extent not satisfied by any applicable Replacement Swap Premium, which shall be paid directly by the Issuer to the relevant Currency Swap Provider) will rank *pari passu* not only with payments due to the holders of the class of Notes to which

the relevant Currency Swap relates but also with payments due to the holders of any other class of Notes which rank equally with the class of Notes to which the relevant Currency Swap relates. In relation to the Interest Rate Swap(s), any termination payment due by the Issuer (other than an Interest Rate Swap Excluded Termination Amount and to the extent not satisfied by any applicable Replacement Swap Premium, which shall be paid directly by the Issuer to the Interest Rate Swap Provider) will rank equally with the payments in respect of the most senior class of Notes. In each case, payment of such termination amounts may affect amounts available to pay interest and principal on all the Notes.

Any additional amounts required to be paid by the Issuer following termination of the relevant swap (including any extra costs incurred (for example, from entering into ''spot'' currency swaps (in relation to the Currency Swaps) or interest rate swaps (in relation to the Interest Rate Swap(s))) if the Issuer cannot immediately enter into a relevant replacement swap) will also rank (i) in relation to the Currency Swaps, equally not only with payments due to the holders of the class of Notes to which the relevant Currency Swap relates but also with payments due to the holders of any other class of Notes which rank equally with the class of Notes to which the relevant Currency Swap relates and (ii) in relation to the Interest Rate Swap(s), equally with payments in respect of the most senior class of Notes. This may affect amounts available to pay interest and principal on all the Notes.

No assurance can be given as to the ability of the Issuer to enter into one or more replacement swaps, or if one or more replacement swaps are entered into, as to the credit rating of the swap provider(s) for the replacement swaps.

Issuer reliance on third parties

The Issuer is also party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Corporate Services Provider has agreed to provide certain corporate services pursuant to the Issuer Corporate Services Agreement, the Account Bank has agreed to provide certain bank accounts to the Issuer pursuant to the Bank Account Agreement and the Paying Agents, the Exchange Agent and the Agent Bank have all agreed to provide services with respect to the Notes. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, Noteholders may be adversely affected.

Ability to appoint substitute administrator

If the Administrator is removed, there is no guarantee that a substitute administrator would be found, which could delay collection of payments on the Loans and ultimately could adversely affect payments of interest and principal on the Notes.

The Administrator has been appointed by the Issuer to administer the Loans. If the Administrator breaches the terms of the Administration Agreement, the Issuer and/or the Security Trustee may, having given notice, terminate the appointment of the Administrator and appoint a substitute administrator on substantially the same terms as the Administration Agreement.

There can be no assurance that a substitute administrator with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Loans on the terms of the Administration Agreement. In addition, as described below, any substitute administrator will be required to be authorised under the Financial Services and Markets Act 2000 (the **FSMA**) in order to administer Loans that constitute Regulated Mortgage Contracts. The ability of a substitute administrator fully to perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute administrator may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes.

The Administrator has no obligation itself to advance payments that Borrowers fail to make in a timely fashion.

Transfer of administration services to Barclays Bank PLC

Barclays Bank PLC currently outsources the administration of its loans and their related security to GHL. GHL is currently 70 per cent. owned by Countrywide Financial Corporation (**Countrywide**). Upon expiry of the outsourcing contracts on 30 April 2006, the mortgage processing and servicing operations, related third-party contracts and assets and staff used to perform such administration under the outsourcing contracts between the Administrator and GHL will be transferred to Barclays Bank PLC. Countrywide has

also agreed in principle to acquire Barclays Bank PLC's 30 per cent. interest in GHL. Barclays Bank PLC will continue to administer the Loans and the Related Security in the Portfolio in accordance with its current policies and intends to licence GHL's technology for a period of three years. In the event that Barclays Bank PLC is not able to continue to licence GHL's technology after the three year period or provide for alternative systems, the administration services with respect to the Loans and the Related Security may be adversely affected. GHL staff working on or supporting mortgage processing for Barclays Bank PLC are expected to remain in their current locations but will become Barclays Bank PLC's employees on or before the expiry of the outsourced contracts and transfer under the Transfer of Undertakings (Protection of Employment) Regulations 1981. Barclays Bank PLC cannot be certain that it will be able to retain any or all of the GHL staff or key management currently working on or supporting mortgage processing for Barclays Bank PLC. In the event that Barclays Bank PLC is unable to retain such staff or key management or GHL or Barclays Bank PLC fails to perform its obligations in relation to the transfer of the outsourced operations to Barclays Bank PLC, the provision of the administration services may be disrupted and the Noteholders may be adversely affected (see *Loan Administration — GHL*).

Withholding tax under the Notes

In the event that any withholding or deduction for or on account of any taxes are imposed in respect of payments to Noteholders of any amounts due under the Notes the Issuer nor any other person is obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of the imposition of such withholding taxes. However, in such circumstances, the Issuer will in accordance with Condition 7.4 of the Notes use reasonable endeavours to mitigate the effect of such taxes.

As of the date of this Prospectus, no withholding or deduction for or on account of UK tax will, however, be required on interest payments to any holders of the Notes provided that the Notes carry a right to interest and are listed on a recognised stock exchange. The London Stock Exchange is a recognised stock exchange, and the Notes will be treated as listed on the London Stock Exchange if the Notes are admitted to the Official List and admitted to trading on the London Stock Exchange.

United States federal income tax treatment

The proper U.S. federal income tax treatment of the Notes will depend upon whether the Notes are classified as debt or equity for U.S. federal income tax purposes. However, there are no authorities addressing similar transactions involving instruments issued by an entity with terms similar to those of the Notes. As a result, certain aspects of the U.S. federal income tax consequences of an investment in the Notes are not certain.

The Issuer intends, and each holder, by purchasing the Notes, agrees, to treat such Notes as indebtedness of the Issuer for U.S. federal income tax purposes. The Issuer has obtained an opinion from Allen & Overy LLP that, although there is no statutory, judicial or administrative authority directly addressing the characterisation of the Notes for U.S. federal income tax purposes and the matter is not free from doubt, when issued, the Class A Notes, the Class B Notes, and the Class C Notes will, and the Class D Notes should be treated as indebtedness for U.S. federal income taxation purposes. Holders may not rely upon the foregoing opinion and such opinion will not be binding upon the U.S. Internal Revenue Service (the **IRS**), or the courts, and no ruling will be sought from the IRS regarding this, or any other, aspect of the U.S. federal income tax treatment of the Notes. Accordingly, there can be no assurances that the IRS will not contend, and that a court will not ultimately hold, that one or more classes of the Notes are equity in the Issuer or that any of the other items discussed below under ''*United States Federal Income Taxation*'' are treated differently. If any class of Notes is treated as equity in the Issuer for U.S. federal income tax purposes, there might be adverse tax consequences upon the sale, exchange, or other disposition of, or the receipt of certain types of distributions on, such Notes by a U.S. Holder as discussed under ''*United States Federal Income Taxation – Tax Considerations Applicable to Notes Characterised as Equity for U.S. Federal Income Tax Purposes*'', below.

Prospective investors should see ''*United States Federal Income Taxation*'' below for a more complete discussion regarding the characterisation of, and the consequences of investing in, the Notes for U.S. federal income tax purposes and consider the tax consequences of investing in the Notes under such alternative characterisations.

Searches, investigations and warranties in relation to the Loans

The Seller will give certain warranties to each of the Issuer and the Security Trustee regarding the Loans and their Related Security to be sold to the Issuer on the Issue Date (see *Summary of Key Transaction Documents – Mortgage Sale Agreement* below for a summary of these).

Neither the Security Trustee nor the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security in the Portfolio and each relies instead on the warranties given in the Mortgage Sale Agreement by the Seller in respect of the Loans sold by it. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller proves to be materially untrue as at the Issue Date, and is not remedied within 20 London Business Days of receipt by the Seller of a notice from the Issuer, shall be to require the Seller to repurchase any relevant Loan and its Related Security. There can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

Interest only loans

Each Loan in the Portfolio is repayable either on a capital repayment basis, an interest only basis or a combination capital repayment/interest only basis. Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, the Borrower is recommended to ensure that some repayment mechanism such as an investment policy is put in place to help ensure that funds will be available to repay the capital at the end of the term. However, the Seller does not require proof of any such repayment mechanism and does not take security over any investment policies taken out by Borrowers. The Seller also strongly recommends that the Borrower takes out a life insurance policy in relation to the Loan but, as with certain of the repayment mechanisms, the Seller does not have the benefit of security over such life policies.

Borrowers may not have been making payment in full or on time of the premiums due on any relevant investment or life policy, which may therefore have lapsed and/or no further benefits may be accruing thereunder. In certain cases, the policy may have been surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not have been applied in paying amounts due under the Borrower's Loan. Thus the ability of such a Borrower to repay an Interest Only Loan at maturity frequently may depend on such Borrower's responsibility in ensuring that sufficient funds are available from a given source such as pension policies, personal equity plans, ISA or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay a Loan and a Loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured.

Equitable assignment

Legal title to the Loans and their Related Security in the Portfolio has, since origination, remained, and will remain, with the Seller until certain trigger events occur under the terms of the Mortgage Sale Agreement (see *Summary of the Key Transaction Documents – Mortgage Sale Agreement*, below). Until such time, the assignment by the Seller to the Issuer of the Loans and their Related Security takes effect in equity only. The Issuer has not and will not apply to the Land Registry or the Central Land Charges Registry to register or record its equitable interest in the Mortgages.

As a consequence of the Issuer not obtaining legal title to the Loans and their Related Security or the properties secured thereby, a *bona fide* purchaser from the Seller for value of any of such Loans and their Related Security without notice of any of the interests of the Issuer might obtain a good title free of any such interest. However, the risk of third party claims obtaining priority to the interests of the Issuer in this way would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, negligence or mistake on the part of the Seller or the Issuer or their respective personnel or agents. Further, prior to the insolvency of the Seller, unless notice of the assignment was given to a Borrower who is a depositor or other creditor of the Seller, equitable or independent set-off rights may accrue in favour of the Borrower against his or her obligation to make payments to the Seller under its Loan. These rights may result in the Issuer receiving reduced payments on the Loans. The assignment of the benefit of any Loans to the Issuer will continue to be subject to any prior equities the Borrower may become entitled to after the assignment. Where notice of the assignment is given to the Borrower, however, some rights of set-off may not arise after the date notice is given.

Until notice of the assignment is given to Borrowers, Borrowers will also have the right to redeem their Mortages by repaying the relevant Loan directly to the Seller. However, the Seller will undertake pursuant to the Mortgage Sale Agreement, to hold any money repaid to the Seller in respect of relevant Loans to the order of the Issuer.

For so long as the Issuer does not have legal title, the Seller will undertake for the benefit of the Issuer that it will lend its name to, and take such other steps as may reasonably be required by the Issuer in relation to, any legal proceedings in respect of the Loans and their Related Security.

Product Switches and Further Advances

A Product Switch is a change or variation in the financial terms and conditions applicable to a Borrower's Loan other than: (i) a release of a party to the Loan; (ii) any variation agreed with a Borrower to control or manage arrears on the Loan; (iii) any variation which extends the maturity date of the Loan up to October 2039; and (iv) any variation imposed by statute. A Further Advance is a further amount lent to a Borrower under his or her Loan, which amount is secured by the same mortgaged property as the Loan.

The Seller may only issue a formal offer letter to a Borrower in respect of a Further Advance or a Product Switch if the Seller in its capacity as originator is prepared to repurchase the relevant Loan and its Related Security (provided that the Loan is not delinquent or in default) from the Issuer and confirms to the Administrator, the Issuer and the Security Trustee that it will so repurchase the relevant Loan. Investors should see further the description of Product Switches in *Summary of the Key Transaction Documents – Mortgage Sale Agreement* below for a description of the circumstances in which the relevant Loans and their Related Security may be repurchased by the Seller.

The number of Further Advance and Product Switch requests received by the Administrator will affect the timing of principal amounts received by the Issuer and hence payments of principal on the Notes.

Insurance policies

The policies of the Seller in relation to buildings insurance and MIG insurance are described under *The Loans – Insurance Policies*, below. The Seller will not assign its rights under the MIG policies to the Issuer for any Loan in the Portfolio. As described in that section, no assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable building insurance contracts. This could adversely affect the Issuer's ability to redeem the Notes.

Denominations

The Notes are issued in the denominations of £50,000 per Sterling Note, €50,000 per Euro Note and $100,000 per Dollar Note. However, for so long as the Notes are represented by a Global Note, and Euroclear and Clearstream, Luxembourg and DTC so permit, the Notes shall be tradeable in minimum nominal amounts of £50,000 and integral multiples of £1,000 thereafter (in the case of the Sterling Notes), in minimum nominal amounts of €50,000 and integral multiples of €1,000 thereafter (in the case of Euro Notes) and in minimum nominal amounts of $100,000 and integral multiples of $1,000 thereafter (in the case of the Dollar Notes). However, if Definitive Notes are required to be issued, they will only be printed and issued in denominations of £50,000, €50,000 or $100,000, as the case may be. Accordingly, if Definitive Notes are required to be issued, a Noteholder holding Notes having a nominal amount which cannot be represented by a Definitive Note in the denomination of £50,000, €50,000 or $100,000, as the case may be, will not be able to receive a Definitive Note in respect of such Notes and will not be able to receive interest or principal in respect of such Note. Furthermore, at any meeting of Noteholders while the Notes are represented by a Global Note, any vote cast shall only be valid if it is in respect of £50,000, €50,000 or, as the case may be, $100,000 in nominal amount.

Change of law

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to them are based on the law and administrative practice in effect as at the date of this Prospectus as it affects the parties to the transaction and the Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to such law and practice after the date of this Prospectus.

Certain Regulatory Considerations:

Office of Fair Trading, Financial Services Authority and other regulatory authorities

In the United Kingdom, the Office of Fair Trading (the **OFT**) is responsible for the issue of licences under, and the superintendence of the working and enforcement of, the Consumer Credit Act 1974 (the **CCA**), related consumer credit regulations and other consumer protection legislation. The OFT may review businesses and operations, provide guidelines to follow and take action when necessary with regard to the mortgage market in the United Kingdom.

Currently, a credit agreement is regulated by the CCA where: (a) the borrower is or includes an individual; (b) the amount of ''credit'' as defined in the CCA does not exceed the financial limit, which is £25,000 for credit agreements made on or after 1 May 1998, or lower amounts for credit agreements made before that date; and (c) the credit agreement is not an exempt agreement under the CCA (for example, it is intended that a Regulated Mortgage Contract under the FSMA (as defined below) is an exempt agreement under the CCA).

Any credit agreement that is wholly or partly regulated by the CCA or treated as such has to comply with requirements under the CCA as to licensing of lenders and brokers, documentation and procedures of credit agreements, and (in so far as applicable) pre-contract disclosure. If it does not comply with those requirements, then to the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable against the borrower: (a) without an order of the OFT, if the lender or any broker does not hold the required licence at the relevant time; (b) totally, if the form to be signed by the borrower is not signed by the borrower personally or omits or mis-states a ''prescribed term''; or (c) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability of the lender.

Any credit agreement intended to be a Regulated Mortgage Contract under the FSMA or unregulated might instead be wholly or partly regulated by the CCA or treated as such because of technical rules on: (a) determining whether any credit under the CCA arises, or whether the financial limit of the CCA is exceeded; (b) determining whether the credit agreement is an exempt agreement under the CCA; and (c) changes to credit agreements.

A court order under Section 126 of the CCA is necessary to enforce a land mortgage securing a credit agreement to the extent that the credit agreement is regulated by the CCA or treated as such. In dealing with such application, the court has the power, if it appears just to do so, to amend the credit agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

Under Section 75 of the CCA in certain circumstances: (a) the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by the lender, where the related credit agreement is or is treated as entered into under pre-existing arrangements, or in contemplation of future arrangements, between the lender and the supplier; and (b) the lender has a statutory indemnity from the supplier against such liability, subject to any agreement between the lender and the supplier. The borrower may set off the amount of the claim against the lender against the amount owing by the borrower under the loan or under any other loan that the borrower has taken. Any such set-off may adversely affect the Issuer's ability to make payments on the Notes.

In November 2002, the UK Department of Trade and Industry (the **DTI**) announced its intention that a credit agreement will be regulated by the CCA where, for credit agreements made after this change is implemented: (a) the borrower is or includes an individual, save for partnerships of four or more partners; (b) irrespective of the amount of credit (although in July 2003, the DTI announced its intention that the financial limit will remain for certain business-to-business lending); and (c) the credit agreement is not an exempt agreement. In December 2003, the DTI published a White Paper proposing amendments to the CCA and to secondary legislation made under it.

In June 2004, secondary legislation was made on: (a) amending requirements as to documentation of credit agreements, coming into force on 31 May 2005, or 31 August 2005 for agreements given to the borrower for signature but not made before 31 May 2005; (b) pre-contract disclosure, coming into force on 31 May 2005; and (c) replacing the formula for calculating the maximum amount payable on early settlement with a formula more favourable to the borrower, coming into force on 31 May 2005 for new agreements or on 31 May 2007 or 31 May 2010 (depending on the term of the agreement) for agreements existing before 31 May 2005.

In December 2004, the UK Parliament published a Consumer Credit Bill (the **Bill**) proposing to amend the CCA by, among other things: (a) changing the definition of a credit agreement regulated by the CCA to that announced by the DTI as described above; and (b) repealing the rule that, to the extent that a credit agreement is regulated by the CCA or treated as such, it may be unenforceable totally. If these changes are enacted, then any credit agreement made or changed such that a new contract is entered into after this time, other than a Regulated Mortgage Contract under the FSMA or other exempt agreement under the CCA, will be regulated by the CCA. Such credit agreement will have to comply with requirements under the CCA as described above and, if it does not comply, it will be unenforceable without an order of the OFT or without a court order, as described above.

The Bill also proposed to amend the CCA by: (a) strengthening the licensing regime; (b) changing the grounds for challenging a credit agreement, from ''extortionate credit bargain'', to ''unfair credit relationship'' between the lender and the borrower, with retrospective effect on existing agreements, and explicitly imposing liability to repay the borrower on both the originator and any assignee such as the Issuer; and (c) extending the jurisdiction of the Ombudsman (as described below) to licence holders under the CCA. The Bill lapsed with the dissolution of Parliament on 11 April 2005 but was re-introduced in Parliament on 18 May 2005 in similar form. The Bill could be enacted as soon as late in 2005, although the resulting amendments to the CCA would come into force on such days as the Secretary of State for Trade and Industry may appoint. Further proposals to amend the CCA and secondary legislation made under it are expected at an unspecified time.

The Seller, GHL and Scotlife Home Loans (No. 3) Limited have interpreted certain technical rules under the CCA in a way common with many other lenders in the mortgage market. If such interpretation were held to be incorrect by a court or the Ombudsman, then a credit agreement, to the extent that it is regulated by the CCA or treated as such, would be unenforceable as described above. If such interpretation were challenged by a significant number of borrowers, then this could lead to significant disruption and shortfall in the income of the Issuer. Court decisions have been made on technical rules under the CCA against certain mortgage lenders, but such decisions are very few and are generally county court decisions which are not binding on other courts.

The Seller has given or, as applicable, will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default cannot be or is not cured within 20 London Business Days, then the Seller will be required to repurchase the Loans under the relevant mortgage account and their Related Security from the Issuer.

In the United Kingdom, regulation of residential mortgage business by the FSA under the FSMA came into force on 31 October 2004, the date known as ''**N(M)**''. Entering into, arranging or advising in respect of, and administering Regulated Mortgage Contracts, and agreeing to do any of these things, are (subject to applicable exemptions) regulated activities under the FSMA.

A credit agreement is a **Regulated Mortgage Contract** under the FSMA if, at the time it is entered into on or after N(M): (a) the borrower is an individual or trustee; (b) the contract provides for the obligation of the borrower to repay to be secured by a first legal mortgage in the UK; and (c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person.

The main effects are that, unless an exclusion or exemption applies: (a) each entity carrying on a regulated mortgage activity has to hold authorisation and permission from the FSA to carry on that activity; and (b) generally, each financial promotion in respect of an agreement relating to qualifying credit has to be issued or approved by a person holding authorisation and permission from the FSA. If requirements as to authorisation and permission of lenders and brokers or as to issue and approval of financial promotions are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court. An unauthorised person who administers a Regulated Mortgage Contract entered into on or after N(M) may commit a criminal offence, but this will not render the contract unenforceable against the borrower.

Any credit agreement intended to be a Regulated Mortgage Contract under the FSMA might instead be wholly or partly regulated by the CCA or treated as such, or unregulated, and any credit agreement intended to be unregulated might instead be a Regulated Mortgage Contract under the FSMA, because of technical rules on: (a) determining whether the credit agreement or any part of it falls within the definition of Regulated Mortgage Contract; and (b) changes to credit agreements.

The Seller is required to hold, and holds, authorisation and permission to enter into and to administer and, where applicable, to advise in respect of Regulated Mortgage Contracts. Subject to any exemption, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts.

The Issuer is not and does not propose to be an authorised person under the FSMA. The Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not carry on the regulated activity of administering in relation to Regulated Mortgage Contracts by having them administered pursuant to an administration agreement by an entity having the required FSA authorisation and permission. If such administration agreement terminates, however, the Issuer will have a

period of not more than one month in which to arrange for mortgage administration to be carried out by a replacement administrator having the required FSA authorisation and permission. In addition, on and after N(M) no variation has been or will be made to the Loans and no Further Advance or Product Switch has been or will be made in relation to a Loan, where it would result in the Issuer arranging or advising in respect of, administering or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

The FSA Mortgages: Conduct of Business Sourcebook (**MCOB**), which sets out its rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, *inter alia*, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges, and arrears and repossessions. FSA rules for prudential and authorisation requirements for mortgage firms, and for extending the appointed representatives regime to mortgages, came into force on 31 October 2004.

A borrower who is a private person is entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FSA rule, and may set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken. Any such set-off may adversely affect the Issuer's ability to make payments on the Notes.

So as to avoid dual regulation, it is intended that Regulated Mortgage Contracts will not be regulated by the CCA, and the relevant regulations under the FSMA are designed to clarify the position in this regard. This only affects credit agreements made on or after N(M), and credit agreements made before N(M) but subsequently changed such that a new contract is entered into on or after N(M) and constitutes a separate Regulated Mortgage Contract. A court order under Section 126 of the CCA is, however, necessary to enforce a land mortgage securing a Regulated Mortgage Contract to the extent that it would, apart from this exemption, be regulated by the CCA or be treated as such.

No assurance can be given that additional regulatory changes by the OFT, the FSA or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments or compliance costs may have a material adverse effect on the Seller, the Issuer, the Administrator and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

Prior to N(M), in the United Kingdom, self-regulation of mortgage business existed under the Mortgage Code (the **CML Code**) issued by the Council of Mortgage Lenders (the **CML**). The Seller subscribed to the CML Code and on and from N(M), as an authorised person, has been subject to the FSA requirements in MCOB. Membership of the CML and compliance with the CML Code were voluntary. The CML Code set out minimum standards of good mortgage business practice, from marketing to lending procedures and dealing with borrowers experiencing financial difficulties. Since 30 April 1998 lender-subscribers to the CML Code could not accept mortgage business introduced by intermediaries who were not registered with (before 1 November 2000) the Mortgage Code Register of Intermediaries or (on and after 1 November 2000 until 31 October 2004) the Mortgage Code Compliance Board. Complaints relating to breach of the CML Code were dealt with by the relevant scheme, such as the Banking Ombudsman Scheme or the Mortgage Code Arbitration Scheme.

In September 2002, the European Commission published a proposal for a Directive of the European Parliament and of the Council on consumer credit. The proposal as originally drafted applied to certain mortgage loan products. This and a subsequent draft were met with significant opposition. In July 2005, the European Commission published a Green Paper on mortgage credit, in which it announced its intention that loans secured by a mortgage on land will be excluded from the proposed Directive but will be covered by any initiatives resulting from the Green Paper process. In October 2005, the European Commission published a further amended form of the proposed Directive, which provides that (subject to certain exceptions) loans not exceeding Euro 50,000 will be regulated, but that loans secured by a land mortgage will be excluded from the proposed Directive. The proposed Directive, which may be further substantially amended before it is brought into effect, is unlikely to come into force before mid-2006, and member states will then have a further two years in which to bring national implementing legislation into force.

Until the final text of the Directive and of any initiatives resulting from the Green Paper process are decided and the details of the United Kingdom implementing legislation are published, it is not certain what effect the adoption and implementation of the Directive or initiatives would have on the Seller, the Issuer, the Administrator and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

Distance Marketing

The Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower). A Regulated Mortgage Contract under the FSMA, if originated by a UK lender from an establishment in the UK, will not be cancellable under these regulations. Certain other credit agreements will be cancellable under these regulations if the borrower does not receive prescribed information at the prescribed time. Where the credit agreement is cancellable under these regulations, the borrower may send notice of cancellation at any time before the end of the 14th day after the day on which the cancellable agreement is made, where all the prescribed information has been received or, if later, the borrower receives the last of the prescribed information.

If the borrower cancels the credit agreement under these regulations then:

(a) the borrower is liable to repay the principal and any other sums paid by the originator to the borrower under or in relation to the cancelled agreement, within 30 days beginning with the day of the borrower sending the notice of cancellation or, if later, the originator receiving notice of cancellation;

(b) the borrower is liable to pay interest, or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and

(c) any security provided in relation to the contract is to be treated as never having had effect.

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the **1999 Regulations**), which, together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the **UTCCR**), apply to agreements made on or after 1 July 1995 and affect all or almost all of the Loans, provide that:

- a consumer may challenge a standard term in an agreement on the basis that it is ''unfair'' within the UTCCR and therefore not binding on the consumer; and
- the OFT and any ''qualifying body'' within the 1999 Regulations (such as the FSA) may seek to enjoin a business from relying on unfair terms.

The UTCCR will not affect ''core terms'' which define the main subject matter of the contract, such as the borrower's obligation to repay the principal (provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention), but may affect terms that are not considered to be core terms, such as the lender's power to vary the interest rate.

For example, if a term permitting the lender to vary the interest rate (as the Seller is permitted to do) is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken. Any such non-recovery, claim or set-off may adversely affect the ability of the Issuer to make payments to Noteholders.

In February 2000, the OFT issued a guidance note on what the OFT considers to be fair terms and unfair terms for interest variation in mortgage contracts. Where the interest variation term does not provide for precise and immediate tracking of an external rate outside the lender's control, and if the borrower is locked in, for example by an early repayment charge that is considered to be a penalty, the term is likely to be regarded as unfair under the UTCCR unless the lender (i) notifies the affected borrower in writing at least 30 days before the rate change and (ii) permits the affected borrower to repay the whole loan during the next three months after the rate change, without paying the early repayment charge. The Seller has reviewed the guidance note and has concluded that its compliance with it will have no material adverse effect on the Loans or its business. The guidance note has been withdrawn from the OFT website and is currently under review by the OFT and FSA. The FSA has agreed with the OFT to take responsibility for the enforcement of the UTCCR in mortgage agreements. In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts which is relevant to firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope. This statement provides that for locked-in borrowers a firm may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised.

In August 2002, the Law Commission for England and Wales and the Scottish Law Commission issued a joint consultation LCCP No. 166/SLCDP 119 on proposals to rationalise the UK's Unfair Contract Terms Act 1977

and the 1999 Regulations into a single piece of legislation and a final report, together with a draft bill on unfair terms, was published in February 2005. The Law Commissions have a duty under Section 3 of the UK's Law Commissions Act 1965 to keep the law under review for a number of purposes, including its simplification. The proposals are primarily to simplify the legislation on unfair terms. It is not proposed that there should be any significant increase in the extent of controls over terms in consumer contracts. Some changes are proposed, however, such as that (a) a consumer may also challenge a negotiated term in an agreement on the basis that it is ''unfair'' and ''unreasonable'' within the legislation and therefore not binding on the consumer; and (b) in any challenge by a consumer (but not by the OFT or a qualifying body) of a standard term or a negotiated term, the burden of proof lies on the business to show that the term is fair and reasonable. It is too early to tell how the proposals, if enacted, would affect the Loans.

No assurance can be given that changes in the 1999 Regulations, if enacted, or changes to guidance on interest variation terms, if adopted, will not have a material adverse effect on the Seller, the Issuer, the Administrator and their respective businesses and operations. This may adversely affect the ability of the Issuer to make payments in full on the Notes when due.

Financial Ombudsman Service

Under the FSMA, the Financial Ombudsman Service is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance. Transitional provisions exist by which certain complaints relating to breach of the CML Code occurring before N(M) may be dealt with by the Financial Ombudsman Service. Complaints brought before the Financial Ombudsman Service for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman.

As the Financial Ombudsman Service is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to the borrower, it is not possible to predict how any future decision of the Financial Ombudsman Service would affect the ability of the Issuer to make payments to Noteholders.

Unfair Commercial Practices Directive 2005

In May 2005, the European Parliament and the Council adopted a Directive on unfair business-to-consumer commercial practices (the **Unfair Practices Directive**). Generally, this Directive applies full harmonisation, which means that member states may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, this Directive permits member states to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans.

The Unfair Practices Directive provides that enforcement bodies may take administrative action or legal proceedings against a commercial practice on the basis that it is ''unfair'' within the Directive. This Directive is intended to protect only collective interests of consumers, and so is not intended to give any claim, defence or right of set-off to an individual consumer.

The DTI is expected to publish a consultation paper on implementing the Unfair Practices Directive into UK law. Member states have until 12 December 2007 in which to bring national implementing legislation into force, subject to a transitional period until 12 June 2013 for applying full harmonisation in the fields to which it applies. It is too early to predict what effect the implementation of the Unfair Practices Directive would have on the Loans.

EU Withholding Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from 1 July 2005, 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. However, for a transitional period, Belgium, Luxembourg and Austria 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 agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

Implementation of Basel II Risk-Weighted Asset Framework

The Basel Committee on Banking Supervision published the text of a new framework on 26 June 2004 under the title ''Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework''. This new framework (the **Basel II Framework**), which places enhanced emphasis on market discipline and sensitivity to risk, is the basis for national rule-making and approval processes to continue and for banking organisations to complete their preparations for implementation of the Basel II Framework. The Basel Committee confirmed that it is currently intended that the various approaches under the Basel II Framework will be implemented in stages, some from year-end 2006, the most advanced at year-end 2007. As and when implemented (including through the EU Capital Requirements Directive), the Basel II Framework could affect the risk-weighting of the Notes in respect of certain investors if those investors are subject to the Basel II Framework following its implementation. Consequently, investors should consult their own advisers as to the consequences to and effect on them of the proposed implementation of the Basel II Framework. No predictions can be made as to the precise effects of potential changes which might result upon the implementation of the Basel II Framework.

The Issuer (or its novatee) may, under certain circumstances relating to the statutory implementation of the Basel II Framework in the United Kingdom, as described in Condition 7.5 (*Redemption or purchase following a regulatory event*) of the Notes, require holders of Class B Notes, Class C Notes and Class D Notes to sell such Notes to the Issuer or redeem the Notes.

European Monetary Union

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, this may adversely affect payments on the Notes.

It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating Member State in the European economic and monetary union and that the euro may become the lawful currency of the United Kingdom. In that event, (a) all amounts payable in respect of the sterling denominated Notes may become payable in euro; (b) applicable provisions of law may allow or require the Issuer to redenominate the sterling denominated Notes into euro and take additional measures in respect of such Notes; and (c) 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 the sterling denominated Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its Loan as well as adversely affect investors. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom will have on investors in the Notes.

Tax payable by the Issuer

The Issuer will generally be subject to UK corporation tax, currently at a rate of 30 per cent., on the profit reflected in its profit and loss accounts as increased by the amount of any non-deductible expenses or losses. If the tax payable by the Issuer is greater than expected because, for example, non-deductible expenses or losses are greater than expected, the funds available to make payments on the Notes will be reduced and this may adversely affect the Issuer's ability to make payments on the Notes.

The UK corporation tax position of the Issuer, however, also depends to a significant extent on the accounting treatment applicable to it. From 1 January 2005, the accounts of the Issuer are required to comply with new UK Financial Reporting Standards (**new UK GAAP**) reflecting International Financial Reporting Standards (**IFRS**) and may be required to comply with IFRS if the Issuer chooses to adopt IFRS. There is a concern that companies such as the Issuer might, under either IFRS or new UK GAAP, suffer timing differences that could result in profits or losses for accounting purposes, and accordingly for tax purposes (unless tax legislation provides otherwise), which bear little or no relationship to the company's cash position. However, the Finance Act 2005 (which received royal assent on 7 April 2005) requires ''securitisation companies'' to prepare tax computations for accounting periods beginning on or after 1 January 2005 and ending before 1 January 2007 on the basis of UK GAAP as applicable up to 31 December 2004, notwithstanding the requirement to prepare statutory accounts under IFRS or new UK GAAP. The Government has announced, in the Pre-Budget Report on 5 December 2005, that the interim regime is to be extended for a further year to 31 December 2007. The Issuer should be a ''securitisation company'' for these purposes.

The stated policy of H.M. Revenue & Customs is that the tax neutrality of securitisation special purpose companies in general should not be disrupted as a result of the transition to IFRS or new UK GAAP and that

they are working with participants in the securitisation industry to identify appropriate means of preventing any such disruption. The Finance Act 2005 enables regulations to be made to establish a more permanent regime. However, if (for whatever reason) measures are not introduced to deal with the corporation tax position of such companies in respect of accounting periods ending on or after 31 December 2007, then profits or losses could arise in the Issuer as a result of the application of IFRS or new UK GAAP which could have tax effects not contemplated in the cashflows for the transaction and as such adversely affect the Issuer and consequently payments on the Notes.

Insolvency Act 2000

Significant changes to the UK insolvency regime have been enacted in recent years, including the Insolvency Act 2000. The Insolvency Act 2000 allows certain ''small'' companies to seek protection from their creditors for a period of 28 days, for the purposes of putting together a company voluntary arrangement, with the option for creditors to extend the moratorium for a further two months. A ''small'' company is defined as one which satisfies, in any financial year, two or more of the following criteria: (i) its turnover is not more than £5.6 million, (ii) its balance sheet total is not more than £2.8 million and (iii) the number of employees is not more than 50. Whether or not a company is a ''small'' company may change from period to period and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be a ''small'' company. The Secretary of State for Trade and Industry may by regulation modify the eligibility requirements for ''small'' companies and can make different provisions for different cases. No assurance can be given that any such modification or different provisions will not be detrimental to the interests of Noteholders.

Secondary legislation has now been enacted which excludes certain special purpose companies in relation to capital markets transactions from the optional moratorium provisions. Such exceptions include (amongst other matters): (i) a company which is a party to an agreement which is or forms part of a capital market arrangement (as defined in the secondary legislation) under which (a) a party has incurred or, when the agreement was entered into was expected to incur, a debt of at least £10 million under the arrangement and (b) the arrangement involves the issue of a capital market investment (also defined, but generally, a rated, listed or traded bond) and (ii) a company which at the date of filing for a moratorium has incurred a liability (including a present, future or contingent liability) of at least £10 million. While the Issuer should fall within the exceptions, there is no guidance as to how the legislation will be interpreted and the Secretary of State for Trade and Industry may by regulation modify the exceptions. No assurance may be given that any modification of the eligibility requirements for ''small'' companies and/or the exceptions will not be detrimental to the interests of Noteholders.

If the Issuer is determined to be a ''small'' company and determined not to fall within one of the exceptions (by reason of modification of the exceptions or otherwise), then the enforcement of the Security by the Security Trustee may, for a period, be prohibited by the imposition of a moratorium.

Enterprise Act 2002

On 15 September 2003, the corporate insolvency provisions of the Enterprise Act 2002 came into force, amending certain provisions of the Insolvency Act 1986 (as amended, the **Insolvency Act**). These provisions introduced significant reforms to corporate insolvency law. In particular, the reforms restrict the right of the holder of a floating charge created after 15 September 2003 to appoint an administrative receiver (unless an exception applies) and instead give primacy to collective insolvency procedures (in particular, administration).

The Insolvency Act contains provisions which continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. The relevant exception provides that the right to appoint an administrative receiver is retained for certain types of security (such as the Issuer Security) that form part of a capital markets arrangement (as defined in the Insolvency Act) that involves indebtedness of at least £50 million (or, when the relevant security document was entered into (being in respect of the transactions described in this Prospectus, the Deed of Charge), a party to the relevant transaction (such as the Issuer) was expected to incur a debt of at least £50 million) and the issue of a capital markets investment (also defined but generally a rated, listed or traded bond). The Secretary of State for Trade and Industry may, by secondary legislation, modify the capital market exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this document will not adversely affect payments on the Notes. In addition, as the relevant provisions of the

Enterprise Act have never been considered judicially, no assurance can be given as to whether the Enterprise Act could have a detrimental effect on the transaction described in this Prospectus or on the interests of Noteholders.

The Insolvency Act also contains a new out-of-court route into administration for a qualifying floating charge holder, the directors or the company itself. The relevant provisions provide for a notice period during which the holder of the floating charge can either agree to the appointment of the administrator proposed by the directors or the company or appoint an alternative administrator, although the moratorium will take effect immediately after notice is given. If the qualifying floating charge holder does not respond to the directors' or company's notice of intention to appoint, the directors', or as the case may be, the company's appointee will automatically take office after the notice period has elapsed. Where the holder of a qualifying floating charge within the context of a capital market transaction retains the power to appoint an administrative receiver, such holder may prevent the appointment of an administrator (either by the new out-of-court route or by the court based procedure), by appointing an administrative receiver prior to the appointment of the administrator being completed.

The new administration provisions of the Insolvency Act give primary emphasis to the rescue of the company as a going concern. The purpose of realising property to make a distribution to one or more secured creditors is subordinated to the primary purposes of rescuing the company as a going concern or achieving a better result for the creditors as a whole than would be likely if the company were wound up. No assurance can be given that the primary purposes of the new provisions will not conflict with the interests of Noteholders were the Issuer ever subject to administration.

In addition to the introduction of a prohibition on the appointment of an administrative receiver as set out above, Section 176A of the Insolvency Act provides that in relation to floating charges created after 15 September 2003 any receiver (including an administrative receiver), liquidator or administrator of a company is required to make a ''prescribed part'' of the company's ''net property'' available for the satisfaction of unsecured debts in priority to the claims of the floating charge holder. The company's ''net property'' is defined as the amount of the chargor's property which would be available for satisfaction of debts due to the holder(s) of any debentures secured by a floating charge and so refers to any floating charge realisations less any amounts payable to the preferential creditors or in respect of the expenses of the liquidation or administration. The ''prescribed part'' is defined in the Insolvency Act 1986 (Prescribed Part) Order 2003 (SI 2003/2097) to be an amount equal to 50 per cent. of the first £10,000 of floating charge realisations plus 20 per cent. of the floating charge realisations thereafter, provided that such amount may not exceed £600,000.

This obligation does not apply if the net property is less than a prescribed minimum and the relevant officeholder is of the view that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits. The relevant officeholder may also apply to court for an order that the provisions of Section 176A of the Insolvency Act should not apply on the basis that the cost of making a distribution would be disproportionate to the benefits.

Floating charge realisations upon the enforcement of the Security may be reduced by the operation of these ''ring fencing'' provisions.

SUMMARY OF THE KEY TRANSACTION DOCUMENTS

Mortgage Sale Agreement

The parties to the Mortgage Sale Agreement will be the Issuer, the Seller and the Security Trustee. The Mortgage Sale Agreement will be entered into on the Issue Date.

Pursuant to the terms of the Mortgage Sale Agreement, the Seller will sell its interest in a portfolio of residential first mortgage loans (the **Initial Loans**) and their associated mortgages (the **Initial Mortgages** and, together with the other security for the Initial Loans, the **Initial Related Security**) and all moneys derived therefrom from time to time (collectively referred to herein as the **Initial Portfolio**) to the Issuer on the Issue Date. The sale by the Seller to the Issuer of the Loans in the Initial Portfolio will be given effect by an equitable assignment. The consideration due to the Seller will be the aggregate of:

(a) £4.5 billion (the **Initial Consideration**); and

(b) a covenant by the Issuer to pay, at later dates, the amounts due in respect of the Residual Certificates, the Postponed Deferred Consideration and the Deferred Consideration.

The amounts due on the Residual Certificates, the Postponed Deferred Consideration and the Deferred Consideration will be paid in accordance with the Pre-Enforcement Revenue Priority of Payments.

It is not intended that the Seller will sell new loans to the Issuer after the Issue Date.

Title to the Mortgages, registration and notifications

The completion of the legal transfer or conveyance of the Loans and Related Security (and where appropriate their registration) to the Issuer is, save in the limited circumstances referred to below, deferred. Legal title to the Loans and Related Security therefore remains with the Seller. Notice of the sale of the Loans and their Related Security to the Issuer will not (except as stated below) be given to any Borrower.

The legal transfers to the Issuer of the Loans and their Related Security will be completed on the 20th London Business Day after the earliest to occur of the following:

(a) the Seller, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (b) below, ceases or, through an authorised action of the board of directors of the Seller, threatens to cease to carry on all or substantially all of its business or its mortgages administration business or the Seller is deemed unable to pay its debts as and when they fall due within the meaning of Section 123(1)(a) of the Insolvency Act (on the basis that the reference in such section to £750 was read as a reference to £10 million), Section 123(1)(b), (d) and (e), 123(1)(c) (on the basis that the words ''for a sum exceeding £10 million'' were inserted after the words ''extract registered bond'' and ''extract registered protest'') and 123(2) of the Insolvency Act 1986 (as that Section may be amended); or

(b) an order is made or an effective resolution is passed for the winding-up of the Seller, except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Security Trustee in writing (such approval not to be unreasonably withheld or delayed); or

(c) proceedings shall be initiated against the Seller under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation (other than a reorganisation where the Seller is solvent) or other similar laws (including, but not limited to, presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) and (except in the case of presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) such proceedings are not, in the reasonable opinion of the Security Trustee, being disputed in good faith with a reasonable prospect of success or an administration order shall be granted or the appointment of an administrator takes effect or an administrative receiver or other receiver, liquidator, trustee in sequestration or other similar official shall be appointed in relation to the Seller or in relation to the whole or any substantial part of the undertaking or assets of the Seller, or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the Seller, or a distress, execution or diligence or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Seller and such possession or process (as the case may be) shall not

be discharged or otherwise ceases to apply within 30 days of its commencement, or the Seller (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws or makes a conveyance or assignment or assignation for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness, each of (a), (b) and (c) above being a **Seller Insolvency Event**; or

(d) the Seller ceases to be assigned a long term unsecured, unsubordinated debt obligation rating from S&P of at least BBB or from Moody's of at least Baa2 or from Fitch of at least BBB (a **Seller Downgrade Event**).

The title information documents and customer files relating to the Portfolio are currently held by or to the order of the Seller. The Seller has undertaken that all the title information documents and customer files relating to the Portfolio which are at any time in its possession or under its control or held to its order will be held to the order of the Issuer and/or the Security Trustee.

Neither the Security Trustee nor the Issuer has made or has caused to be made on its behalf any enquiries, searches or investigations in relation to the Initial Portfolio, but each is relying entirely on the representations and warranties by the Seller contained in the Mortgage Sale Agreement.

Representations and Warranties

The Seller has represented and warranted (or, as the case may be, will represent and warrant) in the Mortgage Sale Agreement to the Issuer and the Security Trustee to the effect that, *inter alia*:

(a) each Mortgage is a valid and subsisting first charge by way of legal mortgage on the relevant property, subject only (in appropriate cases) to registration at the Land Registry which, where required, has been made or is pending and in relation to such cases, the Seller is not aware of any caution, notice, inhibition or any other matter that would prevent such registration;

(b) each Loan and its Related Security is valid, binding and enforceable in accordance with its terms and is non-cancellable, in each case except any term in any Loan, or in its Related Security, in each case by virtue of the UTCCR;

(c) to the best of the Seller's knowledge, none of the terms in any Loan, or in its Related Security, is not binding by virtue of its being unfair within the meaning of the UTCCR; in this warranty and in the previous warranty, reference to any legislation shall be construed as a reference to that legislation as amended, extended or re-enacted from time to time;

(d) each Loan was originated by the **Originator**, which means the Seller and/or Scotlife Home Loans (No.3) Limited, a wholly owned subsidiary of Barclays Bank PLC;

(e) prior to the taking of each Mortgage, the Originator:

  (i) instructed the Originator's solicitor or licensed conveyancer to carry out an investigation of title to the relevant property and to undertake such other searches, investigations, enquiries and other actions on behalf of the Originator as are set out in the Originator's Standard Instructions to Solicitors or, since their incorporation into the Originator's Standard Documentation, the General Instructions to Solicitors or the Lenders' Handbook, both as are contained in the Originator's Standard Documentation, subject only to such exceptions and/or variations as would be acceptable to a reasonable, prudent residential mortgage lender; or

  (ii) received a report from the solicitor or licensed conveyancer referred to in paragraph (i) above relating to such property with regard to the title to such property (a **Certificate of Title**) the contents of which were such as would be acceptable to a reasonable, prudent residential mortgage lender; or

  (iii) secured each Mortgage by a valid and subsisting first ranking legal mortgage in favour of the Originator over the relevant property and secured all moneys owing by the relevant Borrower in respect of the relevant Loan;

(f) each Loan and its Related Security was executed substantially on the terms of the Originator's Standard Documentation without any material variation thereto;

(g) each Loan and its Related Security, at the time of origination, was underwritten in accordance with Barclays Bank PLC's Lending Policy applicable to the type of loan being originated and there was no error, omission, misrepresentation, negligence or fraud on the part of the Originator or its agents in relation to the origination of the relevant Loan (including the related documentation and the handling or treatment of the direction of funds relating to that Loan);

(h) not more than six months (or such longer period as would be acceptable to a reasonable, prudent residential mortgage lender) prior to the grant of each Mortgage, the Originator received a valuation report on the relevant property (or such other form of report concerning the valuation of the relevant property that would be acceptable to a reasonable, prudent residential mortgage lender), the contents of which would be acceptable to a reasonable, prudent residential mortgage lender;

(i) the Mortgage Conditions of the Loans in the Portfolio do not impose any obligation on the Seller to make a further advance to any Borrower;

(j) each Loan and its Related Security is secured by a property located in England and Wales;

(k) each Borrower has made at least two monthly payments in respect of each Loan;

(l) each property was at the date of the completion of the relevant Loan insured under:

  (i) a buildings insurance policy arranged by the Borrower in accordance with the relevant Mortgage Conditions or in accordance with the alternative insurance recommendations; or

  (ii) the Barclays Bank PLC insurance policies; or

  (iii) an insurance policy introduced by Barclays Bank PLC; or

  (iv) a buildings insurance policy arranged by the relevant landlord;

(m) no Loan in the Portfolio incorporates any of the Seller's flexible mortgage facility conditions;

(n) no Loan in the Portfolio has been made for the purpose of the acquisition of a residential property for letting purposes (**Buy-to-Let Loans**);

(o) no Loan in the Portfolio has been made under a special scheme provided to elderly borrowers for equity release purposes such as a shared appreciation mortgage, or a protected appreciation mortgage;

(p) no Borrower has a deposit or current account with Barclays Bank PLC which may be considered part of his or her singular mortgage product; and

(q) no Loan in the Portfolio is a loan which has been made for the purpose of the acquisition of a residential property in the public sector under the applicable right to buy legislation (**Right-to-Buy Loans**).

The Seller agrees in the Mortgage Sale Agreement that, if any of the representations or warranties proves to be materially untrue as at the Issue Date and this has not been remedied within 20 London Business Days of receipt by the Seller of notice from the Issuer in relation thereto, the Seller will purchase such Loan and its Related Security from the Issuer on the next Interest Determination Date after receipt of such notice by the Seller (or such other date as the Issuer may direct in the notice (provided that the date so specified by the Issuer shall not be later than 15 days after receipt by the Seller of such notice)) for a consideration equal to its outstanding current balance, together with any outstanding charges, arrears of interest and accrued interest thereon to the date of purchase.

Repurchase by the Seller

The Seller will agree in the Mortgage Sale Agreement to repurchase any Loan together with its Related Security in the circumstances described below.

If a Loan or its Related Security does not materially comply on the Issue Date with the representations and warranties given by the Seller under the Mortgage Sale Agreement and the Seller does not remedy such breach within 20 days of receiving written notice of such breach from the Issuer or the Security Trustee, then, at the direction of the Security Trustee, the Seller must repurchase the relevant Loan or Loans and their Related Security from the Issuer.

For so long as the Seller is the Administrator, it must notify the Issuer and the Security Trustee of any breach of a warranty as soon as the Administrator becomes aware of such breach.

The repurchase price payable upon the repurchase of any Loan and its Related Security is an amount (not less than zero) equal to the current balance on such Loan as of the date of completion of such repurchase plus all unpaid interest (including all accrued interest and arrears of interest) and expenses payable thereon to the date of repurchase.

Product Switches and Further Advances

Under the Mortgage Sale Agreement, the Seller has agreed not to issue to any Borrower any offer of a Further Advance or a Product Switch without first having given notice to the Issuer and the Security Trustee

confirming that the Seller will repurchase the relevant Loan together with its Related Security from the Issuer in accordance with the terms of the Mortgage Sale Agreement. If the Seller gives such confirmation to the Administrator, the Issuer and the Security Trustee, then the Seller may issue an offer for a Further Advance or a Product Switch to that Borrower and shall notify the Issuer and Administrator in writing as soon as the relevant offer is made or as soon as the relevant Borrower has accepted the mortgage documentation relating to such offer. If the Seller (in its entire discretion) does not give such confirmation to the Issuer, the Seller shall not make the offer. The Issuer may not itself make any Further Advance or Product Switch. The Seller shall not be permitted to issue any offer for a Further Advance or Product Switch to any Borrower with a Loan which is delinquent or which is in default.

A Loan will be subject to a **Product Switch** if there is any variation of the financial terms and conditions of the Loan other than:

- a release of a party to the Loan;
- any variation agreed with the Borrower to control or manage arrears on the Loan;
- any variation which extends the maturity date of the Loan up to October 2039; and
- any variation imposed by statute.

A Loan will be subject to a **Further Advance**, for the purposes of this Prospectus, if an existing Borrower requests further moneys to be advanced to him or her under a Loan and such request is granted.

If a Borrower has requested a Further Advance or a Product Switch and the Administrator has received confirmation of the Seller's election to repurchase the Loan and its Related Security, the Issuer shall at any time upon notice from the Seller assign to the Seller and the Seller shall repurchase such Loan together with its Related Security in accordance with the Mortgage Sale Agreement at a price not less than the current balance on such Loan as of the date of completion of such repurchase plus all unpaid interest (including all accrued interest and arrears of interest) and expenses payable on such Loan to the date of repurchase.

Governing Law

English law.

Administration Agreement

The parties to the Administration Agreement will be the Issuer, the Security Trustee, the Seller and the Administrator.

On the Issue Date, Barclays Bank PLC will be appointed by the Issuer under the Administration Agreement to be its agent to administer the Loans and their Related Security. Barclays Bank PLC will undertake that in its role as Administrator it will comply with any proper directions and instructions that the Issuer and/or the Security Trustee may from time to time give to Barclays Bank PLC in accordance with the provisions of the Administration Agreement. The Administrator is required to administer the Loans and their Related Security in the following manner:

- in accordance with the Administration Agreement; and
- as if the Loans and Mortgages had not been sold to the Issuer but remained with the Seller, and in accordance with the Seller's procedures and administration and enforcement policies as they apply to those Loans from time to time.

The Administrator's actions in administrating the Loans in accordance with its procedures and the Administration Agreement are binding on the Issuer.

The Administrator may, in some circumstances, delegate or subcontract some or all of its responsibilities and obligations under the Administration Agreement. However, the Administrator remains liable at all times for administering the Loans and for the acts or omissions of any delegate or subcontractor. As at the Issue Date, Barclays Bank PLC will subcontract its administration obligations to GHL. See *Loan Administration — Delegation to GHL.*

Powers

Subject to the guidelines for administration set forth above, the Administrator will have the power, among other things:

- to exercise the rights, powers and discretions of the Issuer in relation to the Loans and their Related Security and to perform its duties in relation to the Loans and their Related Security; and

- to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the administration of the Loans and their Related Security or the exercise of such rights, powers and discretions.

Undertakings by the Administrator

The Administrator will undertake, among other things, the following:

(a) To maintain all approvals, authorisations, permissions, consents and licences required by it in order properly to administer the Loans and their Related Security and to perform or comply with its obligations under the Administration Agreement, and to prepare and submit all necessary applications and requests for any further approvals, authorisations, permissions, consents and licences required in connection with the performance of administration under the Administration Agreement, and in particular any necessary notification under the Data Protection Act 1998, authorisation and permissions under the FSMA, and licence under the CCA.

(b) To determine and set the variable rate applicable to any Variable Rate Loan or Discounted Rate Loan in the Portfolio (the **Issuer Variable Rate**) except in the limited circumstances described in paragraph (d) when the Issuer will be entitled to do so.

(c) To determine and set the base rate applicable to any Tracker Rate Loan in the Portfolio (the **Issuer Base Rate**) except in the limited circumstances described in paragraph (d) when the Issuer will be entitled to do so.

(d) To not at any time, without the prior consent of the Issuer, set or maintain:

(i) the Issuer Variable Rate at a rate which is higher than (although it may be lower than or equal to) the then prevailing Barclays Standard Variable Rate which applies to loans beneficially owned by the Seller outside the Portfolio;

(ii) the Issuer Base Rate at a rate which is higher than (although it may be lower than or equal to) the then prevailing Barclays Base Rate which applies to loans beneficially owned by the Seller outside the Portfolio;

(iii) a margin in respect of any Tracker Rate Loan or Discounted Rate Loan which, where the offer conditions for that Loan provide that the margin shall be the same as the margin applicable to all other loans having the same offer conditions in relation to interest rate setting, is higher or lower than the margin then applying to those loans beneficially owned by the Seller outside the Portfolio; and

(iv) a margin in respect of any Tracker Rate Loan or Discounted Rate Loan which is higher than the margin which would then be set in accordance with the Seller's policy from time to time in relation to that Loan.

In particular, the Administrator shall determine on the first Business Day of each calendar month immediately preceding each Interest Payment Date (each a **Calculation Date**), having regard to the aggregate of:

(1) the revenue which the Issuer would expect to receive during the following Calculation Period (as defined below);

(2) the Issuer Variable Rate and the Issuer Base Rate in respect of the Variable Rate Loans, Discounted Rate Loans and Tracker Rate Loans which the Administrator proposes to set under the Administration Agreement; and

(3) the other resources available to the Issuer including the Currency Swap Agreements, the Interest Rate Swap Agreement, the Reserve Fund and the Liquidity Reserve Fund (if established),

whether the Issuer would receive an amount of revenue during that Calculation Period which is less than the aggregate of (1) the amount of interest which will be payable in respect of all the Class A Notes on the relevant Interest Payment Date and (2) the other senior expenses of the Issuer ranking in priority to interest then due on all the Class A Notes.

Calculation Period means each period from and including a Calculation Date (or in the case of the first Calculation Period, from and including the Issue Date) to but excluding the following Calculation Date.

If the Administrator determines that there will be a shortfall in the foregoing amounts, it will give written notice to the Issuer and the Security Trustee, within two London Business Days of such calculation of the amount of the shortfall and the Issuer Variable Rate and/or the Issuer Base Rate which would, in the Administrator's opinion, need to be set in order for no shortfall to arise, having regard to the date(s) on which the change to the Issuer Variable Rate or the Issuer Base Rate would take effect and at all times acting in accordance with the standards of a reasonable, prudent mortgage lender as regards the competing interests of those Borrowers with the Variable Rate Loans, Discounted Rate Loans and the Tracker Rate Loans. If the Issuer and the Security Trustee notify the Administrator that, having regard to the obligations of the Issuer, the Issuer Variable Rate and/or the Issuer Base Rate should be increased, then the Administrator will take all steps which are necessary to increase the Issuer Variable Rate and/or the Issuer Base Rate including publishing any notice which is required in accordance with the mortgage terms.

The Issuer and the Security Trustee may terminate the authority of the Administrator to determine and set the Issuer Variable Rate and the Issuer Base Rate on the occurrence of an Administrator Termination Event as defined under – *Removal or resignation of the Administrator* below, in which case the Issuer will set the Issuer Variable Base Rate and the Issuer Base Rate itself in accordance with this paragraph.

(e) To the extent so required by the relevant mortgage terms and applicable law, to notify Borrowers of any change in interest rates, whether due to a change in the Issuer Variable Rate, the Issuer Base Rate or as a consequence of any provisions of the mortgage conditions or the offer conditions. It will also notify the Issuer and the Security Trustee of any such changes.

(f) To procure that all payments on the Loans are paid into the GIC Account not later than one Business Day following receipt of the same by the Seller.

(g) To execute all documents on behalf of the Issuer and/or the Seller which are necessary or desirable for the efficient provision of administration services under the Administration Agreement, including (but not limited to) documents relating to the discharge of Mortgages comprised in the Portfolio.

(h) To keep records and accounts on behalf of the Issuer in relation to the Loans and their Related Security.

(i) To keep the customer files and title information documents in safe custody (including electronic records) and maintain records necessary to enforce each Loan and its Related Security. It will ensure that each title information document is capable of identification and retrieval and that each title information document is distinguishable from information held by the Administrator for other persons. If the Administrator's short-term, unsecured, unsubordinated and unguaranteed debt is rated less than A-1 by Standard & Poor's, P-1 by Moody's and F1 by Fitch, it will use reasonable endeavours to ensure the customer files and title information documents are identified as distinct from customer files and title information documents which relate to loans held outside the Portfolio.

(j) To provide the Issuer (and its auditors) and the Security Trustee with access to the title information documents and other records relating to the administration of the Loans and Related Security.

(k) To prepare a report on a quarterly basis about the Loans in the Portfolio in the form set out in the Administration Agreement.

(l) To take all reasonable steps, in accordance with the arrears procedures undertaken by a reasonable, prudent mortgage lender, to recover all sums due to the Issuer, including instituting proceedings and enforcing any relevant Loan or Related Security.

(m) To enforce any Loan which is in arrears in accordance with its usual arrears procedures or, to the extent that the arrears procedures are not applicable having regard to the nature of the default in question, with the usual procedures undertaken by a reasonable, prudent mortgage lender on behalf of the Issuer.

(n) Not knowingly to fail to comply with any legal requirements in the performance of its obligations under the Administration Agreement.

The requirement for any action to be taken according to the standards of a **reasonable, prudent mortgage lender** means a reasonably prudent prime residential mortgage lender lending to borrowers in England and Wales who generally satisfy the lending criteria of traditional sources of residential mortgage capital. For the avoidance of doubt, any action taken by the Administrator to set the Issuer Variable Rate or Issuer Base Rate which are lower than that of the competitors of the Seller will be deemed to be in accordance with the standards of a reasonable, prudent mortgage lender.

Compensation of the Administrator

The Administrator receives a fee for servicing the Loans. The Issuer will pay to the Administrator an administration fee of 0.10 per cent. per annum (inclusive of VAT) on the aggregate amount of the Portfolio as at the opening of business on the preceding Interest Payment Date. The fee is payable in arrear on each Interest Payment Date only to the extent that the Issuer has sufficient funds in accordance with the Priorities of Payment to pay it. Any unpaid balance will be carried forward until the next Interest Payment Date and will accrue interest and, if not paid earlier, will be payable in full by October 2041.

Removal or resignation of the Administrator

The Issuer with the written consent of the Security Trustee, or the Security Trustee itself may, upon written notice to the Administrator, terminate the Administrator's rights and obligations immediately if any of the following events (each an **Administrator Termination Event**) occurs:

- the Administrator defaults in the payment of any amount due under the Administration Agreement or the relevant Transaction Documents and fails to remedy that default for a period of five London Business Days after the earlier of becoming aware of the default and receipt of written notice from the Issuer or the Security Trustee requiring the default to be remedied; or
- the Administrator fails to comply with any of its other covenants or obligations under the Administration Agreement which in the opinion of the Security Trustee is materially prejudicial to the holders of any Notes and does not remedy that failure within 20 London Business Days after becoming aware of the failure; or
- an Insolvency Event occurs in relation to the Administrator. (In this context **Insolvency Event** has the same meaning as Seller Insolvency Event but any reference to the Seller shall be deemed to be replaced with a reference to the Administrator).

Subject to the fulfilment of a number of conditions (including the appointment of a substitute administrator), the Administrator may voluntarily resign by giving not less than 12 months' notice to the Issuer and the Security Trustee. The substitute administrator is required to have experience of administering mortgages in the United Kingdom and to enter into an administration agreement with the Issuer and the Security Trustee substantially on the same terms as the relevant provisions of the Administration Agreement. It is a further condition precedent to the resignation of the Administrator that each of the Rating Agencies confirm to the Issuer and the Security Trustee that current ratings of the Notes are not adversely affected as a result of the resignation, unless the relevant classes of Noteholders otherwise agree by an extraordinary resolution.

If the appointment of the Administrator is terminated, the Administrator must deliver the title information documents and customer files relating to the Loans and Related Security to, or at the direction of, the Issuer.

Right of delegation by the Administrator

The Administrator may subcontract or delegate the performance of its duties under the Administration Agreement, provided that it meets particular conditions, including that:

- the Security Trustee consents to the proposed subcontracting or delegation;
- written notification has been given to each of the Rating Agencies;
- where the arrangements involve the custody or control of any customer files and/or title information documents, the subcontractor or delegate has executed a written acknowledgement that those customer files and/or title information documents are and will be held to the order of the Issuer and the Security Trustee;
- where the arrangements involve or may involve the receipt by the subcontractor or delegate of moneys belonging to the Issuer which are to be paid into the GIC Account, the subcontractor or delegate has executed a declaration that any such moneys are held on trust for the Issuer and will be paid forthwith into the GIC Account in accordance with the terms of the Administration Agreement;
- the subcontractor or delegate has executed a written waiver of any security interest arising in connection with the delegated services;
- the Issuer and the Security Trustee have no liability for any costs, charges or expenses in relation to the proposed subcontracting or delegation; and
- the subcontractor or delegate has confirmed that it has, and will maintain all approvals, authorisations, permissions and consents required for itself in connection with the fulfilment of its obligations under the agreement.

The consent of the Security Trustee referred to here will not be required in respect of any delegation to GHL or to a wholly-owned subsidiary of Barclays Bank PLC from time to time or to persons such as receivers, lawyers or other relevant professionals.

As at the Issue Date, the Administrator will subcontract the performance of its duties under the Administration Agreement to GHL – see *Loan Administration – Delegation to GHL*.

Liability of the Administrator

The Administrator will indemnify each of the Seller, the Issuer and the Security Trustee on an after-tax basis against all losses, liabilities, claims, expenses or damages incurred as a result of negligence or wilful default by the Administrator in carrying out its functions as Administrator under the Administration Agreement or any other Transaction Document or as a result of a breach of the terms of the Administration Agreement or the other Transaction Documents in relation to such functions.

Governing Law

English.

Deed of Charge

On the Issue Date, the Issuer will enter into a deed of charge (the **Deed of Charge**) with the Security Trustee.

Security

Under the terms of the Deed of Charge, the Issuer will provide the Security Trustee with the benefit of, *inter alia*, the following security (the **Security**):

(a) an assignment of the Issuer's right, title, interest and benefit in and to the Transaction Documents;

(b) a charge by way of first fixed charge over the Issuer's interest in the Initial Loans, their Related Security and all amounts derived therefrom;

(c) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Bank and any sums standing to the credit thereof; and

(d) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer.

Authorised Investments means:

(a) sterling gilt-edged securities; and

(b) sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper).

provided that in all cases either such investments (i) have a maturity date of 90 days or less and mature on or before the next following Interest Payment Date or (ii) may be broken or demanded by the Issuer (at no cost to the Issuer) on or before the next following Interest Payment Date, and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least A-1+ by Standard & Poor's, P-1 by Moody's and F1+ by Fitch.

Transaction Documents means those documents to which the Issuer is a party, including the Administration Agreement, the Agency Agreement, the Bank Account Agreement, the Cash Management Agreement, the Corporate Services Agreements, the Currency Swap Agreements, the Deed of Charge, the Deed of Novation, the Interest Rate Swap Agreement, the Issuer Share Trust Deed, the Issuer Nominee Declaration of Trust, the Master Definitions and Construction Schedule, the Mortgage Sale Agreement PECOH Holdings Share Trust Deed, the PECOH Nominee Declaration of Trust, the Post-Enforcement Call Option Agreement, the Purchase/Redemption Option Agreement, the Security Trustee Power of Attorney, the Seller Collection Account Declaration of Trust, the Seller Power of Attorney, the Share Capital Loan Agreements, the Start-up Loan Agreement, the Subscription Agreement, the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes.

Whether a fixed security interest expressed to be created by the Deed of Charge will be upheld as a fixed security interest rather than floating security will depend, among other things, on whether the Security

Trustee has the requisite degree of control over the chargor's ability to deal in the relevant assets and the proceeds thereof, and if so, whether such control is exercised by the Security Trustee in practice. However, it is likely that the Security Trustee does not exert sufficient control over the accounts of the Issuer for the charges over those accounts to take effect as fixed charges. In addition, any assignment, charge or security granted over an asset which is expressed to be a fixed charge may be characterised a floating charge if the proceeds thereof are paid into a bank account over which the Security Trustee is not deemed to have sufficient control. Such may be the case in this transaction.

Unlike the fixed charges, the floating charge does not attach to specific assets but instead ''floats'' over a class of assets which may change from time to time, allowing the Issuer to deal with those assets and to give third parties title to those assets free from any encumbrance in the event of sale, discharge or modification, provided those dealings and transfers of title are in the ordinary course of the Issuer's business. Any assets acquired by the Issuer after the Issue Date (including assets acquired as a result of the disposition of any other assets of the Issuer) will also be subject to the floating charge unless they are subject to the fixed charges mentioned in this section.

The floating charge created by the Deed of Charge allows the Security Trustee to appoint an administrative receiver of the Issuer and thereby prevent the appointment of an administrator or receiver of the Issuer by one of the Issuer's other creditors. An appointment of an administrative receiver by the Security Trustee under the Deed of Charge will not be prohibited by Section 72A of the Insolvency Act as the appointment will fall within the exception set out under Section 72B of the Insolvency Act (First Exception: Capital Markets). Therefore, in the event that enforcement proceedings are commenced in respect of amounts due and owing by the Issuer, the Security Trustee will be entitled to control those proceedings in the best interests of the Secured Creditors (provided that in the event of any conflict between the interests of the Noteholders and the other Secured Creditors, the interests of the Noteholders will prevail). However, see *Risk factors – Changes of law* relating to the appointment of administrative receivers.

Secured Creditors means the Security Trustee, the Note Trustee, the Noteholders, the Residual Certificate Holders, the Seller, the Administrator, the Cash Manager, the Swap Providers, the Account Bank, the Start-up Loan Provider, the Corporate Services Provider, the Paying Agents, the Registrar, the Transfer Agent, the Exchange Agent, the Agent Bank and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured creditor.

The interest of the Secured Creditors in property and assets over which there is a floating charge will rank behind the expenses of any liquidation or administration and the claims of certain preferential creditors on enforcement of the Security. Section 250 of the Enterprise Act abolishes Crown Preference in relation to all insolvencies (and thus reduces the categories of preferential debts that are to be paid in priority to debts due to the holder of a floating charge) but a new Section 176A of the Insolvency Act (as inserted by Section 251 of the Enterprise Act) requires a ''prescribed part'' (up to a maximum amount of £600,000) of the floating charge realisations available for distribution to be set aside to satisfy the claims of unsecured creditors. This means that the expenses of any liquidation or administration, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to noteholders. The prescribed part will not be relevant to property subject to a valid fixed security interest or to a situation in which there are no unsecured creditors.

The floating charge created by the Deed of Charge may ''crystallise'' and become a fixed charge over the relevant class of assets owned by the Issuer at the time of crystallisation. Crystallisation will occur automatically following the occurrence of specific events set out in the Deed of Charge, including, among other events, notice to the Issuer from the Security Trustee following an Event of Default under the Notes. A crystallised floating charge will rank ahead of the claims of unsecured creditors which are in excess of the prescribed part but will rank behind the expenses of any liquidation or administration, the claims of preferential creditors and the beneficiaries of the prescribed part on enforcement of the Security.

Pre-Enforcement Revenue Priority of Payments and Pre-Enforcement Principal Priority of Payments

Prior to the Note Trustee serving a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply moneys standing to the credit of the Transaction Account as described in *Cashflows – Application of Available Revenue Receipts, Application of Available Principal Receipts prior to the occurrence of a Pro-Rata Trigger Event* and *Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer and enforcement of the Security* below.

Post-Enforcement Priority of Payments

After the Note Trustee has served a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes declaring the Notes to be immediately due and repayable,the Security Trustee shall apply the moneys available in accordance with the Post-Enforcement Priority of Payments defined in *Cashflows — Post-Enforcement Priority of Payments* below.

The Security will become enforceable upon the occurrence of an Event of Default (which is continuing or unwaived) (as defined in Condition 10 of the Notes) provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders as set out in the order of priority of payment above) or once all of the Class A Noteholders have been repaid, the Class B Noteholders or once all of the Class A Noteholders and the Class B Noteholders have been repaid, the Class C Noteholders or once all of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders have been repaid, the Class D Noteholders or the Security Trustee is of the opinion that the cash flow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders as set out in the order of priority above) or once all of the Class A Noteholders have been repaid, the Class B Noteholders or once all of the Class A Noteholders and the Class B Noteholders have been repaid, the Class C Noteholders or once all of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders have been repaid, the Class D Noteholders.

Governing Law

English.

Cash Management Agreement

On the Issue Date, the Cash Manager, the Issuer, and the Security Trustee will enter into the Cash Management Agreement.

Cash Management Services to be provided to the Issuer

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management services to the Issuer, including:

(a) maintaining the following ledgers (the **Ledgers**) on behalf of the Issuer:

  (i) the **Principal Ledger**, which records all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the Pre-Enforcement Sequential Principal Priority of Payments or, as applicable, the Post-Enforcement Priority of Payments;

  (ii) the **Revenue Ledger**, which records all Revenue Receipts received by the Issuer and distribution of the same in accordance with the Pre-Enforcement Revenue Priority of Payments or, as applicable, the Post-Enforcement Priority of Payments;

  (iii) the **Reserve Ledger**, which records amounts credited to the reserve fund (the **Reserve Fund**) from Tranche B of the Start-up Loan and from Available Revenue Receipts, and withdrawals from the Reserve Fund in accordance with the Pre-Enforcement Revenue Priority of Payments (see *Credit Structure – Reserve Fund*, below);

  (iv) the **Liquidity Reserve Ledger**, which (if the Liquidity Reserve is required to be established), records amounts credited to the Liquidity Reserve Fund, and amounts debited from the Liquidity Reserve Fund in accordance with the Pre-Enforcement Priority of Payments or with respect to Income Deficits (see *Credit Structure – Liquidity Reserve Fund*, below); and

  (v) the **Principal Deficiency Ledger**, which records deficiencies arising from Losses (as further described below in *Loan Administration*) or Principal Receipts allocated to cover Income Deficits as described in *Credit Structure – Principal Deficiency Ledger* below;

(b) calculation on each Calculation Date of the Available Revenue Receipts and the Available Principal Receipts to be applied on the relevant Interest Payment Date;

(c) applying, or causing to be applied, Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments;

(d) providing the Issuer, the Security Trustee and the Rating Agencies with quarterly reports in relation to the Portfolio;

(e) procuring that the quarterly reports in relation to the Portfolio from the Cash Manager are provided to Bloomberg L.P. for publication on a page of the Bloomberg screen or to such other service provider providing any medium for electronic display of data as may be previously approved in writing by the Issuer and the Security Trustee;

(f) making withdrawals from the Reserve Fund and/or the Liquidity Reserve Fund (if established) as and when required; and

(g) investing monies standing from time to time to the credit of a Bank Account in Authorised Investments as determined by the Issuer and the Seller, subject to the following provisions:

  (i) any such Authorised Investment shall be made in the name of the Issuer;

  (ii) any costs properly and reasonably incurred in making and changing Authorised Investments will be reimbursed to the Cash Manager by the Issuer; and

  (iii) all income and other distributions arising on, or proceeds following the disposal or maturity of, Authorised Investments shall be credited to the relevant Bank Account.

Remuneration of Cash Manager

The Cash Manager shall be paid a fee for its services in arrear on each Interest Payment Date.

Termination of appointment of Cash Manager

If the Cash Manager defaults in the performance of its obligations under the Cash Management Agreement and such default remains unremedied (if capable of remedy) for a specified period thereafter or (while the Cash Manager is the Seller) a Seller Insolvency Event or a Seller Downgrade Event occurs, then the Security Trustee may at once or at any time thereafter if the default is continuing, by notice in writing to the Issuer and the Cash Manager, terminate the appointment of the Cash Manager.

The Cash Manager may resign its appointment as Cash Manager on giving 12 months' written notice thereof to the Security Trustee, the Issuer and the Seller if:

(a) a substitute cash manager has been appointed and a new cash management agreement is entered into on terms satisfactory to the Security Trustee, the Seller and the Issuer (and the Cash Manager shall not be released from its appointment under the Cash Management Agreement until such an appointment has been made and such new agreement has been entered into); and

(b) the then current ratings of the existing Notes would not be adversely affected as a result thereof.

Governing Law

English.

Other Agreements

For a description of the Interest Rate Swap Agreement, the Currency Swap Agreements and the Start-Up Loan Agreement, see *Credit Structure*, below.

CREDIT STRUCTURE

The Notes will be obligations of the Issuer only. The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes will not be obligations of, or the responsibility of, or guaranteed by, any of Barclays Bank PLC, the Currency Swap Provider, the Interest Rate Swap Provider, the Lead Manager and the other Managers, the Sole Bookrunner, the Note Trustee, the Security Trustee, the Exchange Agent, any company in the same group of companies as Barclays Bank PLC or the Managers or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of Barclays Bank PLC, the Lead Manager, the Sole Bookrunner, the Managers, the Note Trustee, the Security Trustee, the Currency Swap Provider, the Interest Rate Swap Provider, the Exchange Agent, or by any other person other than the Issuer.

The structure of the credit support arrangements may be summarised as follows:

1. Credit Support for the Notes provided by Available Revenue Receipts

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the amounts payable under items (a) to (d), (f), (h) and (j) of the Pre-Enforcement Revenue Priority of Payments. The actual amount of any excess will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans in the Portfolio and the performance of the Portfolio.

Interest rate on the Portfolio

To hedge against the possible variance between (a) the various fixed and variable rates of interest payable on the Loans in the Portfolio, and (b) Three-Month Sterling LIBOR, the Issuer will enter into the Interest Rate Swap(s) with the Interest Rate Swap Provider and the Security Trustee as described in paragraph 9 below.

Performance of the Portfolio

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Interest Payment Date towards reducing any Principal Deficiency Ledger entries, which may arise from losses on the Portfolio.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date (as described in *Cashflows – Available Revenue Receipts prior to service of a Note Acceleration Notice on the Issuer, below) exceeds the aggregate of the payments and provisions required to be met in priority to item (l) (in respect of the Reserve Fund), such excess is available to replenish and increase the Reserve Fund, up to and including an amount equal to the Reserve Fund Required Amount*.

2. Income Deficiency

On each Calculation Date, the Cash Manager, pursuant to the terms of the Cash Management Agreement, will determine whether Available Revenue Receipts (including the Reserve Fund) are sufficient to pay or provide for payment of the items described in (a) to (d), (f), (h) and (j) of the Pre-Enforcement Revenue Priority of Payments. To the extent that Available Revenue Receipts are insufficient for this purpose (the amount of any deficit being an **Income Deficit**), the Cash Manager on behalf of the Issuer shall, on the relevant Interest Payment Date, pay or provide for such Income Deficit subject to the conditions set out in *Cashflows—Application of Principal Receipts and Liquidity Reserve Fund Amounts to cover shortfalls* by applying firstly, Principal Receipts and secondly, amounts standing to the credit of the Liquidity Reserve Fund (if established), and the Cash Manager shall make a corresponding entry in the relevant Principal Deficiency Sub Ledger as described in paragraph 5 below.

3. Reserve Fund

On the Issue Date, a fund will be established called the **Reserve Fund**. Amounts standing to the credit of the Reserve Fund will be applied as part of Available Revenue Receipts on each Interest Payment Date.

The Reserve Fund will be initially funded on the Issue Date by Tranche B of the Start-up Loan in the sum of £31.5 million. The Reserve Fund will be credited to the Transaction Account (with a corresponding credit to the Reserve Ledger). The Issuer may invest the amounts standing to the credit of the Transaction Account in Authorised Investments.

The Cash Manager will maintain a ledger pursuant to the Cash Management Agreement to record the balance from time to time of the Reserve Fund (the **Reserve Ledger**).

On each Interest Payment Date the amount of the Reserve Fund will be added to the other income of the Issuer to determine the amount of Available Revenue Receipts (see *Cashflows – Distribution of Available Revenue Receipts prior to enforcement of the Security – Definition of Available Revenue Receipts*, above).

The Reserve Fund will be replenished from Available Revenue Receipts in accordance with the provisions of the Pre-Enforcement Revenue Priority of Payments.

The **Reserve Fund Required Amount** will be an amount equal to £31.5 million provided that on each Calculation Date falling on or after the Calculation Date on which X is greater than or equal to two times Y (the **Reserve Fund Calculation Date**) where:

X = the Sterling Equivalent Principal Amount Outstanding of the Class A Notes as at the Issue Date divided by the aggregate Sterling Equivalent Principal Amount Outstanding of the Class B Notes, the Class C Notes and the Class D Notes; and

Y = the Sterling Equivalent Principal Amount Outstanding of the Class A Notes as at any Calculation Date divided by the aggregate Sterling Equivalent Principal Amount Outstanding of the Class B Notes, the Class C Notes and the Class D Notes as at any Calculation Date, and if:

(i) all balances recorded on each of the Principal Deficiency Sub-Ledgers are zero;

(ii) the total balance of all Loans in the Portfolio which are 90 days or more in arrears does not exceed 3 per cent. of the total balance of all the Loans in the Portfolio;

(iii) the aggregate balance of all losses on the Loans in the Portfolio does not exceed 0.35 per cent. of the original outstanding principal balance of the Loans;

(iv) the total balance of the Loans foreclosed in the Portfolio does not exceed 1.5 per cent. of the original outstanding principal balance of the Loans; and

(v) the amount in the Reserve Fund is equal to or greater than the Reserve Fund Required Amount as of the relevant Reserve Fund Calculation Date,

then the Reserve Fund Required Amount will be reduced to an amount equal, on such Reserve Fund Calculation Date, to the greater of £15,750,000 and 1.4 per cent. of the then Sterling Equivalent Principal Amount Outstanding of the Notes.

After a reduction to the Reserve Fund Required Amount, any amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount (the **Reserve Fund Excess**) will be applied on the relevant Interest Payment Date to repay the Start-Up Loan only.

On any Interest Payment Date on which the Notes are redeemed in full, the Reserve Fund will be applied to repay Tranche B of the Start-Up Loan only.

4. Liquidity Reserve Fund

The Issuer will be required to establish a liquidity reserve fund (the **Liquidity Reserve Fund**) if the long-term, unsecured, unsubordinated and unguaranteed debt obligations of the Seller cease to be rated at least A3 by Moody's or A– by Fitch or A– by S&P (unless Moody's or Fitch or S&P, as applicable, confirms that the then current ratings of the Notes would not be adversely affected by the ratings downgrade of the Seller).

Prior to service of a Note Acceleration Notice, the Liquidity Reserve Fund may be applied as part of Available Principal Receipts or used to help meet any Income Deficit. Use of amounts for the Liquidity Reserve Fund to cover Income Deficits is subject to the conditions set out in *Cashflows—Application of Principal Receipts and Liquidity Reserve Fund Amounts to cover shortfalls*.

The Liquidity Reserve Fund, if any, will be initially funded from the Available Principal Receipts. The Liquidity Reserve Fund will be funded up to the **Liquidity Reserve Required Amount**, being an amount as of any Calculation Date equal to 3 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes on that Calculation Date.

The Liquidity Reserve Fund will be deposited in the GIC Account. The Cash Manager will maintain a separate Liquidity Reserve Ledger to record the balance from time to time of the Liquidity Reserve Fund.

Once it has been initially funded, the Liquidity Reserve Fund will be replenished from Available Revenue Receipts or Available Principal Receipts. Available Revenue Receipts will only be applied to replenish the Liquidity Reserve Fund after paying, *inter alia*, interest amounts due on the Notes.

5. Principal Deficiency Ledger

A Principal Deficiency Ledger, comprising four sub ledgers, known as the **Class A Principal Deficiency Sub Ledger** (relating to the Class A Notes), the **Class B Principal Deficiency Sub Ledger** (relating to the Class B Notes), the **Class C Principal Deficiency Sub Ledger** (relating to the Class C Notes) and the **Class D Principal Deficiency Sub Ledger** (relating to the Class D Notes) (together the **Principal Deficiency Ledger**), will be established on the Issue Date in order to record any Losses affecting the Loans in the Portfolio and the application of any Principal Receipts to meet any Income Deficit as described in paragraph 2 above.

The application of any Principal Receipts and/or the application of amounts standing to the credit of the Liquidity Reserve Fund (if established) to meet any Income Deficit will be recorded first on the Class D Principal Deficiency Sub Ledger until the balance of the Class D Principal Deficiency Sub Ledger is equal to of then aggregate Sterling Equivalent Principal Amount Outstanding of the Class D Notes; then on the Class C Principal Deficiency Sub Ledger until the balance of the Class C Principal Deficiency Sub Ledger is equal to the aggregate Sterling Equivalent Principal Amount Outstanding of the Class C Notes; and then on the Class B Principal Deficiency Sub Ledger until the balance of the Class B Principal Deficiency Sub Ledger is equal to the aggregate Sterling Equivalent Principal Amount Outstanding of the Class B Notes; and finally on the Class A Principal Deficiency Sub Ledger until the balance of the Class A Principal Deficiency Sub Ledger is equal to the aggregate Sterling Equivalent Principal Amount Outstanding of the Class A Notes.

On each Interest Payment Date, Available Revenue Receipts shall, after making the payments or provisions required to be met in priority to item (e) of the Pre-Enforcement Revenue Priority of Payments, be applied in an amount necessary to reduce to nil the balance on the Class A Principal Deficiency Sub Ledger. Then once the balance on the Class A Principal Deficiency Sub Ledger is reduced to nil and interest due on the Class B Notes has been paid (in accordance with item (f) of the Pre-Enforcement Revenue Priority of Payments), Available Revenue Receipts shall be applied to reduce to nil the balance on the Class B Principal Deficiency Sub Ledger. Then once the balance on the Class B Principal Deficiency Sub Ledger is reduced to nil and interest due on the Class C Notes has been paid (in accordance with item (h) of the Pre-Enforcement Revenue Priority of Payments), Available Revenue Receipts shall be applied to reduce to nil the balance on the Class C Principal Deficiency Sub Ledger. Then, once the balance on the Class C Principal Deficiency Sub Ledger is reduced to nil and interest due on the Class D Notes has been paid (in accordance with item (j) of the Pre-Enforcement Revenue Priority of Payments), Available Revenue Receipts shall be applied to reduce to nil the balance on the Class D Principal Deficiency Sub Ledger.

6. Available Funds

To the extent that the Available Revenue Receipts and Available Principal Receipts are sufficient on the relevant Calculation Date, they shall be paid on the relevant Interest Payment Date to the persons entitled thereto (or a relevant provision made) in accordance with the Pre-Enforcement Priority of Payments. It is not intended that any surplus will be accumulated in the Issuer (other than amounts standing to the credit of the Reserve Funds).

If, on any Interest Payment Date when there are Class A Notes outstanding, the Issuer has insufficient Available Revenue Receipts (and insufficient Principal Receipts and Liquidity Reserve Fund amounts to make good an Income Deficit), to pay the interest otherwise due on the Class B Notes, the Class C Notes and/or the Class D Notes, then the Issuer will be entitled under Condition 16 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. This will not constitute an Event of Default. If there are no Class A Notes then outstanding, the Issuer will be entitled to defer payments of interest in respect of the Class C Notes and the Class D Notes only. If there are no Class B Notes outstanding, the Issuer will be entitled to defer payments of interest in respect of the Class D Notes only. If there are no Class C Notes outstanding, the Issuer will not be entitled to defer payments of interest in respect of the Class D Notes.

Failure to pay interest on the Class A Notes (or the most senior class of Notes outstanding where one or more classes of Notes has been redeemed in full) shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

7. GIC Account

Pursuant to the Bank Account Agreement the Account Bank will pay interest on funds in the GIC Account at 0.38 per cent. per annum below LIBOR for Three-Month Sterling Deposits.

If, at any time (a) short term unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are downgraded below a rating of P-1 by Moody's or a rating of A-1+ by S&P or a rating of F1+ by Fitch,

and (b) as a result of such downgrade, any of the then current ratings of the Notes would be adversely affected, the Issuer (at its own cost) will be required promptly either to transfer (within 30 days) the GIC Account to, or to ensure that the Account Bank obligations are guaranteed by, an appropriately rated, bank or financial institution or are collateralised by appropriately rated investments in each case on similar terms and in order to maintain the ratings of the Notes at their then current ratings.

8. Start-up Loan

The Seller will make available to the Issuer a start-up loan (the **Start-up Loan**) pursuant to the Start-up Loan Agreement, which will be a subordinated loan facility consisting of two tranches. The first tranche of the Start-up Loan (**Tranche A**) will be in an amount up to £8,000,000, and will be used for meeting the costs and expenses of the Issuer arising in connection with the sale of the Initial Portfolio to the Issuer. The second tranche of the Start-Up Loan (**Tranche B**) will be in an amount of £31,500,000 which will be used to fund the Reserve Fund and will be credited to the Transaction Account (with a corresponding credit to the Reserve Ledger). The Issuer may invest amounts standing to the credit of the Transaction Account in Authorised Investments.

The Start-Up Loan Provider will have the right to assign or novate its rights and/or obligations under Tranche B of the Start-Up Loan to a third party at any time.

The Start-Up Loan Agreement will be governed by English law.

9. Interest Rate Risk for the Notes

The interest rate payable on some of the Loans in the Portfolio is payable by reference to the Barclays Standard Variable Rate, or linked to the Barclays Standard Variable Rate or the Barclays Base Rate under Tracker Rate Loans or Discounted Rate Loans. However, the interest rate payable by the Issuer with respect to the Sterling Notes is an amount calculated by reference to a Three-Month Sterling LIBOR, the Dollar Notes is an amount calculated by reference to Three-Month USD LIBOR and the Euro Notes is an amount calculated by reference to Three-Month EURIBOR.

To hedge against the possible variance between:

(a) the various fixed and variable rates of interest payable on the Loans in the Portfolio, and

(b) Three-Month Sterling LIBOR,

the Issuer will, on the Issue Date, enter into the Interest Rate Swap Agreement with the Interest Rate Swap Provider and the Security Trustee. The Interest Rate Swap Agreement will have a notional amount that is sized to hedge against any potential interest rate mismatches in relation to the Notes outstanding from time to time. To hedge against the currency risk associated with the Dollar Notes and the Euro Notes, the Issuer will enter into the Currency Swap Agreements (see *Currency Risk for the Dollar Notes and the Euro Notes* below).

Under the Interest Rate Swap Agreement, on each Interest Payment Date the following amounts will be calculated:

(a) the amount produced by applying Three-Month Sterling LIBOR plus a spread for the relevant Interest Period ending on that Interest Payment Date to the notional amount of the Interest Rate Swap Agreement (known as the **Interest Period Swap Provider Amount**); and

(b) the amount produced by applying a rate determined by dividing the sum of (i), (ii) and (iii) below by the aggregate principal amount outstanding of the Loans in the Portfolio as at the beginning of the relevant Interest Period to the notional amount of the Interest Rate Swap Agreement (known as the **Interest Period Issuer Amount**):

  (i) the average of the standard variable mortgage rates or their equivalent charged to existing borrowers on residential mortgage loans for the relevant Interest Period, after excluding the highest and lowest rate, of Abbey National plc, Alliance & Leicester plc, Cheltenham & Gloucester plc, Halifax plc, NatWest Ltd and Northern Rock plc (and where those banks have more than one standard variable rate, the highest of those rates) multiplied by the then aggregate principal amount outstanding of the Variable Rate Loans and Discounted Rate Loans in the Portfolio;

  (ii) the weighted average of the fixed rates of interest payable on the Fixed Rate Loans in the Portfolio multiplied by the then aggregate principal amount outstanding of the Fixed Rate Loans in the Portfolio; and

  (iii) the Bank of England Base Rate for the relevant Interest Period multiplied by the then aggregate principal amount outstanding of the Tracker Rate Loans in the Portfolio.

After these two amounts are calculated in relation to an Interest Payment Date, the following payments will be made on that Interest Payment Date:

(a) if the Interest Period Swap Provider Amount is greater than the Interest Period Issuer Amount, then the Interest Rate Swap Provider will pay the difference to the Issuer;

(b) if the Interest Period Issuer Amount is greater than the Interest Period Swap Provider Amount, then the Issuer will pay the difference to the Interest Rate Swap Provider; and

(c) if the Interest Period Swap Provider Amount and the Interest Period Issuer Amount are equal, neither party will make a payment to the other.

If a payment is to be made by the Interest Rate Swap Provider, that payment will be included in the Available Revenue Receipts and will be applied on the relevant Interest Payment Date according to the relevant priority of payments. If a payment is to be made by the Issuer, it will be made according to the relevant priority of payments.

The notional amount of the Interest Rate Swap in respect of an Interest Period will be an amount in sterling equal to:

(a) the aggregate Sterling Equivalent Principal Amount Outstanding of all Notes during the relevant Interest Period, less

(b) the balance of the Principal Deficiency Ledger during the relevant Interest Period, less

(c) the amount of the Principal Receipts in the GIC Account during the relevant Interest Period.

In the event that the Interest Rate Swap Agreement is terminated prior to service of a Note Acceleration Notice or final redemption of the relevant Notes, the Issuer shall enter into a replacement swap in respect of the Notes on terms acceptable to the Rating Agencies, the Issuer and the Security Trustee with an interest rate swap provider who the Rating Agencies have previously confirmed in writing to the Issuer and the Security Trustee will not cause the then current ratings of the existing Notes to be adversely affected. The Issuer may apply any early termination payment received from the Interest Rate Swap Provider pursuant to the Interest Rate Swap Agreement for such purpose. If the Issuer is unable to enter into any replacement swaps on terms acceptable to the Rating Agencies, this may affect amounts available to pay amounts due under the Notes.

Under the terms of the Interest Rate Swap Agreement, in the event that the relevant rating(s) of the Interest Rate Swap Provider is or are, as applicable, downgraded by a Rating Agency below the Required Swap Rating, the Interest Rate Swap Provider will, in accordance with the Interest Rate Swap Agreement, be required to take certain remedial measures within 30 calendar days and at its own cost which may include providing collateral for its obligations under the Interest Rate Swap Agreement, arranging for its obligations under the Interest Rate Swap Agreement to be transferred to an entity with the Required Swap Rating, procuring another entity with the Required Swap Rating to become co-obligor or guarantor, as applicable, in respect of its obligations under the Interest Rate Swap Agreement, or taking such other action as it may agree with the relevant Rating Agency.

The Interest Rate Swap(s) will terminate on the date on which the aggregate Principal Amount Outstanding of the Notes is zero. The Interest Rate Swap(s) may also be terminated in other circumstances, including the following, each as more specifically defined in the Interest Rate Swap Agreement:

(a) if there is a failure by a party to pay amounts due under the Interest Rate Swap Agreement and any applicable grace period has expired;

(b) if certain insolvency events occur with respect to a party;

(c) if a breach of a provision of the Interest Rate Swap Agreement by the Interest Rate Swap Provider is not remedied within the applicable grace period;

(d) if a change of law results in the obligations of one of the parties becoming illegal;

(e) in certain circumstances, if a deduction or withholding for an account of taxes is imposed on payments under an Interest Rate Swap, or if certain tax representations by either the Issuer or the Interest Rate Swap Provider prove to have been incorrect or misleading in any material respect;

(f) if the Interest Rate Swap Provider is downgraded and fails to comply with the requirements of the Rating Agencies downgrade provisions contained in the Interest Rate Swap Agreement and described above;

(g) if the Deed of Charge or Conditions of the Notes are amended without the consent of the Interest Rate Swap Provider; and

(h) if there is a redemption of the Notes pursuant to Condition 7.4 or 7.5 of the Notes.

Upon an early termination of an Interest Rate Swap, the Issuer or the Interest Rate Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in sterling. The amount of any termination payment will be based on the market value of the terminated swap as determined on the basis of quotations sought from leading dealers as to the costs of entering into a swap with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination. Any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

The Interest Rate Swap Provider may, subject to certain conditions specified in the Interest Rate Swap Agreement, including (without limitation) the satisfaction of certain requirements of the Rating Agencies, transfer its obligations under the Interest Rate Swap Agreement to another entity with the Required Swap Rating.

If a withholding or deduction for or on account of taxes is imposed on payments made by either party under an Interest Rate Swap, neither party shall be obliged to gross up those payments. The relevant Interest Rate Swap may be terminated in such circumstances.

The Interest Rate Swap Agreement will be governed by English law.

10. Currency Risk for the Dollar Notes and the Euro Notes

The Dollar Notes will be denominated in dollars and will accrue interest at a USD-LIBOR rate for Three-Month Dollar Deposits. In addition, the Euro Notes will be denominated in euro and will accrue interest at a EURIBOR rate for Three-Month Euro Deposits.

To hedge its currency and interest rate exposure, on the Issue Date, the Issuer will enter into:

(a) the Currency Swap relating to the Class A1b Notes with the Dollar Currency Swap Provider and the Security Trustee (the **Class A1b Issuer Currency Swap**);

(b) the Currency Swap relating to the Class A2b Notes with the Dollar Currency Swap Provider and the Security Trustee (the **Class A2b Issuer Currency Swap**);

(c) the Currency Swap relating to the Class Bb Notes with the Dollar Currency Swap Provider and the Security Trustee (the **Class Bb Issuer Currency Swap**);

(d) the Currency Swap relating to the Class Cb Notes with the Dollar Currency Swap Provider and the Security Trustee (the **Class Cb Issuer Currency Swap**);

(e) the Currency Swap relating to the Class Db Notes with the Dollar Currency Swap Provider and the Security Trustee (the **Class Db Issuer Currency Swap**);

(f) the Currency Swap relating to the Class A1c Notes with the Euro Currency Swap Provider and the Security Trustee (the **Class A1c Issuer Currency Swap**);

(g) the Currency Swap relating to the Class A2c Notes with the Euro Currency Swap Provider and the Security Trustee (the **Class A2c Issuer Currency Swap**);

(h) the Currency Swap relating to the Class Bc Notes with the Euro Currency Swap Provider and the Security Trustee (the **Class Bc Issuer Currency Swap**);

(i) the Currency Swap relating to the Class Cc Notes with the Euro Currency Swap Provider and the Security Trustee (the **Class Cc Issuer Currency Swap**);

(j) the Currency Swap relating to the Class Dc Notes with the Euro Currency Swap Provider and the Security Trustee (the **Class Dc Issuer Currency Swap**).

Under each Currency Swap, the Issuer will pay or arrange for the payment to the Currency Swap Provider under the relevant Currency Swap Agreement on the Issue Date of an amount equal to the net proceeds of the issue of the Notes in dollars or euro, as applicable. In return, the Issuer will be paid the sterling equivalent of that aggregate dollar or euro amount (calculated by reference to the relevant Currency Swap Rate) by the Currency Swap Provider.

As defined herein, **Currency Swap Rate** means:

(a) in respect of the Dollar Currency Swap Agreements the rate at which dollars are converted to sterling or, as the case may be, sterling is converted to dollars, as applicable; and

(b) in respect of the Euro Currency Swap Agreements the rate at which euros are converted to sterling or, as the case may be, sterling is converted to euro, as applicable.

On each Interest Payment Date, subject, in the case of the Class B Notes, the Class C Notes and the Class D Notes, to certain deferral of interest provisions that will apply when payment of interest is deferred in accordance with the terms and conditions of such Notes, the Currency Swap Provider under the relevant Currency Swap Agreement will pay to, or at the direction of, the Issuer, an amount denominated in dollars calculated by reference to (i) Three-Month USD LIBOR for the relevant Interest Period plus a spread, which is equivalent to the interest due in dollars on the Principal Amount Outstanding of the Dollar Notes, or (ii) an amount denominated in euro calculated by reference to Three-Month EURIBOR for the relevant Interest Period plus a spread which is equivalent to the interest for the relevant Interest Period due and payable in euro on the Principal Amount Outstanding of the Euro Notes (as applicable). In return, the Issuer will pay to the Currency Swap Provider on each Interest Payment Date an amount denominated in sterling calculated by reference to Three-Month Sterling LIBOR for the relevant Interest Period plus a spread. If the Issuer does not have sufficient funds available pursuant to the Cash Management Agreement to pay such amount in full on such date and as a result pays only part of such amount to the Currency Swap Provider, the corresponding amount in dollars or euro (as applicable) payable by the Currency Swap Provider on such date will be reduced proportionately.

In order to allow for the effective currency amount of each Currency Swap to amortise at the same rate as the relevant class, or sub-class, of Notes, each Currency Swap Agreement will provide that, as and when the relevant Notes amortise, a corresponding portion of the currency amount of the relevant Currency Swap will amortise. On each Interest Payment Date, the Currency Swap Provider under the relevant Currency Swap Agreement will pay to the Issuer an amount in dollars equal to the amount of principal payments to be made on the Dollar Notes or, as applicable, in euro equal to the amount of principal payments to be made on the Euro Notes. In return, the Issuer will pay to the Currency Swap Provider under the relevant Currency Swap Agreement on each Interest Payment Date an amount in sterling equal to the aggregate dollar amount of principal payments to be made on the Dollar Notes or, as applicable, the aggregate euro amount of principal payments to be made on the Euro Notes, on the relevant Interest Payment Date, such dollar or euro amount to be converted into sterling at the relevant Currency Swap Rate. If the Issuer does not have sufficient principal available to pay such amount in full on such date and accordingly pays only part of such amount to the Currency Swap Provider, the Currency Swap Provider will be obliged on such date to pay only the equivalent of such partial amount in dollars or euro, as applicable, such dollar or euro amount to be calculated by converting the partial amount of sterling at the relevant Currency Swap Rate.

On the Final Maturity Date of each class, or sub-class, of Notes or, if earlier, the date on which such Notes are redeemed in full (other than pursuant to Condition 7.4 (Optional redemption for tax and other reasons) or 7.5 (Redemption or purchase following a regulatory event) under *Terms and Conditions of the Notes*), the Currency Swap Provider under the relevant Currency Swap Agreement will pay to the Issuer an amount in dollars or euro, as applicable, equal to the Principal Amount Outstanding under the relevant Notes and the Issuer will pay to the Currency Swap Provider under the relevant Currency Swap Agreement an equivalent amount in sterling, converted at the relevant Currency Swap Rate. If the Issuer does not have sufficient principal available pursuant to the Cash Management Agreement to pay such amount in full on such date and accordingly pays only part of such amount to the Currency Swap Provider, the Currency Swap Provider will be obliged on such date to pay only the equivalent of such partial amount in dollars or euro, as applicable, such dollar or euro amount to be calculated by converting the partial amount of sterling at the relevant Currency Swap Rate.

In the event that any or all of the Currency Swaps are terminated prior to service of a Note Acceleration Notice or final redemption of the relevant Dollar Notes or Euro Notes, the Issuer shall enter into a replacement swap in respect of the relevant classes of Notes on terms acceptable to the Rating Agencies, the Issuer and the Security Trustee with a currency swap provider who the Rating Agencies have previously confirmed in writing to the Issuer and the Security Trustee will not cause the then current ratings of the existing Notes to be adversely affected. The Issuer may apply any early termination payment received from a Currency Swap Provider pursuant to the relevant Currency Swap Agreement for such purpose. If the Issuer is unable to enter into any replacement swaps on terms acceptable to the Rating Agencies, this may affect amounts available to pay amounts due under the Notes.

Under the terms of the Currency Swap Agreements, in the event that the relevant rating(s) of the Currency Swap Provider is or are, as applicable, downgraded by a Rating Agency below the Required Swap Rating, the Currency Swap Provider under each relevant Currency Swap Agreement will, in accordance with the relevant Currency Swap Agreement, be required to take certain remedial measures within 30 calendar days and at its own cost which may include providing collateral for its obligations under the relevant Currency Swap Agreement, arranging for its obligations under the relevant Currency Swap Agreement to be transferred to an entity with the Required Swap Rating, procuring another entity with the required swap rating to become co-obligor or guarantor, as applicable, in respect of its obligations under the relevant Currency Swap Agreement, or taking such other action as it may agree with the relevant Rating Agency.

Each Currency Swap will terminate on the date on which the aggregate Principal Amount Outstanding of the Notes is zero. A Currency Swap may also be terminated in other circumstances, including the following, each as more specifically defined in the relevant Currency Swap Agreement:

(a) if there is a failure by a party to pay amounts due under the relevant Currency Swap Agreement and any applicable grace period has expired;

(b) if certain insolvency events occur with respect to a party;

(c) if a breach of a provision of the relevant Currency Swap Agreement by the Currency Swap Provider is not remedied within the applicable grace period;

(d) if a change of law results in the obligations of one of the parties becoming illegal;

(e) in certain circumstances, if a deduction or withholding for an account of taxes is imposed on payments under a Currency Swap, or if certain tax representations by a party prove to have been incorrect or misleading in any material respect;

(f) if the Currency Swap Provider is downgraded and fails to comply with the requirements of the rating agencies downgrade provisions contained in the relevant Currency Swap Agreement and described above;

(g) if the Deed of Charge or Conditions of the Notes are amended without the consent of the Currency Swap Provider; and

(h) if there is a redemption of the Notes pursuant to Condition 7.4 or 7.5 of the Notes.

Upon an early termination of a Currency Swap, the Issuer or the Currency Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in sterling. The amount of any termination payment will be based on the market value of the terminated swap as determined on the basis of quotations sought from leading dealers as to the costs of entering into a swap with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination. Any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

If a Currency Swap is terminated and the Issuer is unable to enter into a replacement swap as described above, then the Issuer shall repay the Notes on each Interest Payment Date after exchanging at the ''spot'' rate the Available Revenue Receipts and/or Available Principal Receipts from sterling into dollars or euro, as applicable.

The Currency Swap Provider may, subject to certain conditions specified in the Currency Swap Agreements, including (without limitation) the satisfaction of certain requirements of the Rating Agencies, transfer its obligations under a Currency Swap Agreement to another entity with the Required Swap Rating.

If a withholding or deduction for or on account of taxes is imposed on payments made by either party under a Currency Swap, neither party shall be obliged to gross up those payments. The relevant Currency Swap may be terminated in such circumstances.

The Currency Swap Agreements will be governed by English law.

For the purposes of the above provisions, **Required Swap Rating** means (a) in respect of a Currency Swap Agreement, that the unsecured and unsubordinated debt obligations of the relevant entity are rated no lower than ''A1'' by Moody's and ''A+'' by Fitch (long-term) and no lower than ''A-1+'' by S&P (in the case of the Class A1b Notes, the Class A2b Notes, the Class A1c Notes, the Class A2c Notes, the Class Bb Notes and the Class Bc Notes), ''A-2'' by S&P (in the case of the Class Cb Notes and the Class Cc Notes) (there being no

Required Swap Rating in respect of S&P in relation to the Class Db Notes and the Class Dc Notes as the rating of the Class Db Notes and the Class Dc Notes will be weaklinked to the long-term rating of the swap counterparty), ''P-1'' by Moody's and ''F1'' by Fitch (short-term), as applicable, and (b) in respect of the Interest Rate Swap Agreement, that the unsecured and unsubordinated debt obligations of the relevant entity are rated no lower than ''A1'' by Moody's and ''A'' by Fitch (long-term) and no lower than ''A-1'' by S&P, ''P-1'' by Moody's and ''F1'' by Fitch (short-term), as applicable.

CASH FLOWS

Definition of Revenue Receipts

Revenue Receipts means:

(a) payments of interest on the Loans including any accrued interest, arrears of interest (that have not been capitalised) and fees paid from time to time under the Loans and other amounts received by the Issuer in respect of the Loans other than the Principal Receipts;

(b) recoveries of interest from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed; and

(c) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement to the extent such proceeds are attributable to accrued interest and arrears of interest (which has not been capitalised) as at the relevant repurchase date.

Definition of Available Revenue Receipts

Available Revenue Receipts means for each Interest Payment Date an amount equal to the aggregate of:

(a) Revenue Receipts received during the immediately preceding Calculation Period;

(b) interest payable to the Issuer on the Bank Accounts and income from any Authorised Investments in each case received during the immediately preceding Calculation Period;

(c) amounts received by the Issuer under the Interest Rate Swap Agreement (other than (a) any early termination amount received by the Issuer under the Interest Rate Swap Agreement which is to be applied in acquiring a replacement swap, (b) the return or transfer of any collateral, as set out under the Interest Rate Swap Agreement, and (c) any Replacement Swap Premium), on such Interest Payment Date;

(d) the amounts standing to the credit of the Reserve Fund as at the immediately preceding Calculation Date (excluding any Reserve Fund Excess amount); and

(e) other net income of the Issuer during the immediately preceding Calculation Period, excluding any Principal Receipts and without double-counting the amounts described in paragraphs (a) to (c) above);

less

(f) amounts applied from time to time during the immediately preceding Calculation Period in making payment of certain moneys which properly belong to third parties such as (but not limited to):

  (i) payments of certain insurance premiums; and

  (ii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account;

(items within (f) being collectively referred to herein as **Third Party Amounts**). Third Party Amounts may be deducted by the Cash Manager on a daily basis from the GIC Account to make payment to the proper persons entitled thereto.

Application of Principal Receipts and Liquidity Reserve Fund amounts to cover shortfalls

On each Calculation Date, the Cash Manager shall calculate whether the Available Revenue Receipts (as calculated above) will be sufficient to pay on the relevant Interest Payment Date items (a) to (d), (f), (h) and (j) of the Pre-Enforcement Revenue Priority of Payments.

If the Cash Manager determines that there would be a shortfall on an Interest Payment Date to pay those items, then the Issuer shall pay or provide for that shortfall by applying Principal Receipts (if any) and, thereafter, amounts standing to the credit of the Liquidity Reserve Fund (if established), and the Cash Manager shall make a corresponding entry on the relevant Principal Deficiency Sub Ledger as described in *Credit Structure – Principal Deficiency Ledger*, above. Any amounts so applied may not be used to pay interest on any class of Notes if and to the extent that would result in a deficiency being recorded or an existing deficiency being increased on a Principal Deficiency Sub Ledger relating to a higher ranking class of Notes.

If an Income Deficit exists, no Principal Receipts may be applied, and no drawings may be made from the Liquidity Reserve Fund, to cover interest shortfalls on the Class B Notes, the Class C Notes or, as the case may be, the Class D Notes to the extent that, after application of Available Revenue Receipts on an Interest Payment Date, the Class B Principal Deficiency Sub Ledger would have a debit balance equal to or greater than 20 per cent. of the then aggregate Sterling Equivalent Principal Amount Outstanding of the Class B Notes, the Class C Principal Deficiency Sub Ledger would have a debit balance equal to or greater than 20 per cent. of the then aggregate Sterling Equivalent Principal Amount Outstanding of the Class C Notes or, as the case may be, the Class D Principal Deficiency Sub Ledger would have a debit balance equal to or greater than 20 per cent. of the then aggregate Sterling Equivalent Principal Amount Outstanding of the Class D Notes, respectively.

Application of moneys released from the Reserve Fund

If the Reserve Fund Required Amount is reduced or cancelled at any time (see *Credit Structure – Reserve Fund* for a description of when the Reserve Fund Required Amount may be reduced), then the moneys released shall be applied to repay the Start-Up Loan only and shall not form part of the Available Revenue Receipts.

Application of Available Revenue Receipts prior to the service of a Note Acceleration Notice on the Issuer

Prior to the service of a Note Acceleration Notice on the Issuer, the Cash Manager (on behalf of the Issuer) shall on each Interest Payment Date apply the Available Revenue Receipts in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the **Pre-Enforcement Revenue Priority of Payments**):

(a) *firstly*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

  (i) any costs, charges, liabilities, expenses and all other amounts then due or to become due to the Note Trustee, under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) value added tax under the Value Added Tax Act 1994 (**VAT**) thereon as provided therein;

  (ii) any costs, charges, liabilities, expenses and all other amounts then due or to become due to the Security Trustee, under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;

(b) *secondly*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

  (i) any remuneration then due and payable to the Agent Bank, the Registrar, the Transfer Agent, the Exchange Agent and the Paying Agents and any costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with VAT thereon as provided therein; and

  (ii) any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer;

(c) *thirdly*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

  (i) any amounts due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due to the Administrator under the provisions of the Administration Agreement, together with VAT thereon as provided therein;

  (ii) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT thereon as provided therein;

(iii) any amounts then due and payable to the Account Bank and any costs, charges, liabilities and expenses then due or to become due and payable to the Account Bank in the immediately succeeding Interest Period under the provisions of the Bank Account Agreement, together with VAT thereon as provided therein;

(iv) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Interest Period under the provisions of the Corporate Services Agreements, together with VAT thereon as provided therein;

(d) *fourthly*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:

(i) interest due and payable on the Class A1a Notes;

(ii) interest due and payable on the Class A2a Notes;

(iii) interest due and payable on the Class A2d Notes;

(iv) amounts due to the Interest Rate Swap Provider in respect of the Interest Rate Swap Agreement (including any termination payment due and payable by the Issuer but excluding any related Interest Rate Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium);

(v) interest amounts due to the Dollar Currency Swap Provider in respect of the Dollar Currency Swap relating to the Class A1b Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from interest amounts received from the Dollar Currency Swap Provider to pay interest due on the Class A1b Notes;

(vi) interest amounts due to the Dollar Currency Swap Provider in respect of the Dollar Currency Swap relating to the Class A2b Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from interest amounts received from the Dollar Currency Swap Provider to pay interest due on the Class A2b Notes;

(vii) interest amounts due to the Euro Currency Swap Provider in respect of the Euro Currency Swap relating to the Class A1c Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from interest amounts received from the Euro Currency Swap Provider to pay interest due on the Class A1c Notes; and

(viii) interest amounts due to the Euro Currency Swap Provider in respect of the Euro Currency Swap relating to the Class A2c Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from interest amounts received from the Euro Currency Swap Provider to pay interest due on the Class A2c Notes;

(e) *fifthly*, to make provision for a credit to the Class A Principal Deficiency Sub Ledger in an amount sufficient to eliminate any debit thereon;

(f) *sixthly*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:

(i) interest due and payable on the Class Ba Notes;

(ii) interest amounts due to the Dollar Currency Swap Provider in respect of the Dollar Currency Swap relating to the Class Bb Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from interest amounts received from the Dollar Currency Swap Provider to pay interest due on the Class Bb Notes; and

(iii) interest amounts due to the Euro Currency Swap Provider in respect of the Euro Currency Swap

relating to the Class Bc Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from interest amounts received from the Euro Currency Swap Provider to pay interest due on the Class Bc Notes;

(g) *seventhly*, to make provision for a credit to the Class B Principal Deficiency Sub Ledger in an amount sufficient to eliminate any debit thereon;

(h) *eighthly*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:

(i) interest due and payable on the Class Ca Notes;

(ii) interest amounts due to the Dollar Currency Swap Provider in respect of the Dollar Currency Swap relating to the Class Cb Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from interest amounts received from the Dollar Currency Swap Provider to pay interest due on the Class Cb Notes; and

(iii) interest amounts due to the Euro Currency Swap Provider in respect of the Euro Currency Swap relating to the Class Cc Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from interest amounts received from the Euro Currency Swap Provider to pay interest due on the Class Cc Notes;

(i) *ninthly*, to make provision for a credit to the Class C Principal Deficiency Sub Ledger in an amount sufficient to eliminate any debit thereon;

(j) *tenthly*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:

(i) interest due and payable on the Class Da Notes;

(ii) interest amounts due to the Dollar Currency Swap Provider in respect of the Dollar Currency Swap relating to the Class Db Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from interest amounts received from the Dollar Currency Swap Provider to pay interest due on the Class Db Notes; and

(iii) interest amounts due to the Euro Currency Swap Provider in respect of the Euro Currency Swap relating to the Class Dc Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from interest amounts received from the Euro Currency Swap Provider to pay interest due on the Class Dc Notes;

(k) *eleventhly*, to make provision for a credit to the Class D Principal Deficiency Sub Ledger in an amount sufficient to eliminate any debit thereon;

(l) *twelfthly*, to credit the Liquidity Reserve Ledger but only to the extent that funds have been withdrawn from that Ledger to help meet any Income Deficit;

(m) *thirteenthly*, to credit the Reserve Ledger until the balance thereof is equal to the Reserve Fund Required Amount;

(n) *fourteenthly,* to pay *pro rata* and *pari passu* any amounts due to:

(i) the Interest Rate Swap Provider in respect of an Interest Rate Swap Excluded Termination Amount (to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium); and

(ii) the Currency Swap Provider in respect of a Currency Swap Excluded Termination Amount (to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium);

(o) *fifteenthly*, to pay the Issuer an amount equal to 0.01 per cent. of the Available Revenue Receipts received by the Issuer in the immediately preceding Interest Period, to be retained by the Issuer as profit in respect of the business of the Issuer;

(p) *sixteenthly*, to pay all amounts of interest due or accrued (if any) but unpaid and any capitalised interest due to the Start-Up Loan Provider under the Start-Up Loan Agreement;

(q) *seventeenthly*, to pay amounts payable in respect of the Residual Certificates, but not using any amounts standing to the credit of the Reserve Fund or any premia on any sale of the Loans in the Portfolio;

(r) *eighteenthly*, to pay the principal amounts outstanding to the Start-up Loan Provider under the Start-up Loan Agreement;

(s) *nineteenthly*, to pay any additional consideration due to the Seller (which does not represent a payment for the purposes of the Residual Certificates) which has been postponed pursuant to the terms of the Mortgage Sale Agreement (the **Postponed Deferred Consideration**);

(t) *twentiethly*, to pay any deferred consideration due to the Seller (which does not represent a payment for the purposes of the Residual Certificates), pursuant to the terms of the Mortgage Sale Agreement (the **Deferred Consideration**); and

(u) *twenty-firstly*, the excess (if any) to the Issuer.

As used in this Prospectus:

Currency Swap Excluded Termination Amount means in relation to a relevant Currency Swap Agreement, the amount of any termination payment due and payable to the Currency Swap Provider as a result of a Currency Swap Provider Default or Currency Swap Provider Downgrade Event;

Currency Swap Provider Default means the occurrence of an Event of Default (as defined in the Currency Swap Agreements) where the Currency Swap Provider is the Defaulting Party (as defined in each of the Currency Swap Agreements);

Currency Swap Provider Downgrade Event means the occurrence of an Additional Termination Event following the failure by the Currency Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the relevant Currency Swap Agreement;

Interest Rate Swap Excluded Termination Amount means, in relation to the Interest Rate Swap Agreement, the amount of any termination payment due and payable to the Interest Rate Swap Provider as a result of an Interest Rate Swap Provider Default or Interest Rate Swap Provider Downgrade Event;

Interest Rate Swap Provider Default means the occurrence of an Event of Default (as defined in the Interest Rate Swap Agreement) where the Interest Rate Swap Provider is the Defaulting Party (as defined in the Interest Rate Swap Agreement);

Interest Rate Swap Provider Downgrade Event means the occurrence of an Additional Termination Event following the failure by the Interest Rate Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the Interest Rate Swap Agreement; and

Replacement Swap Premium means an amount received by the Issuer from a replacement swap provider upon entry by the Issuer into an agreement with such replacement swap provider to replace the Currency Swap Provider or the Interest Rate Swap Provider, which shall be paid directly by the Issuer to the relevant Currency Swap Provider or Interest Rate Swap Provider, as applicable.

Definition of Principal Receipts

Principal Receipts means:

(a) principal repayments under the Loans (including capitalised interest, capitalised expenses and capitalised arrears);

(b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant property);

(c) any payment pursuant to an insurance policy assigned to the Issuer in respect of a property in connection with a Loan in the Portfolio; and

(d) the proceeds of the repurchase of any Loan by a Seller from the Issuer pursuant to the Mortgage Sale Agreement (excluding amounts attributable to Revenue Receipts).

Definition of Available Principal Receipts

Available Principal Receipts means for any Interest Payment Date:

(a) all Principal Receipts received by the Issuer during the immediately preceding Calculation Period;

(b) if established, all amounts standing to the credit of the Liquidity Reserve Fund (as recorded on the Liquidity Reserve Ledger) on the immediately preceding Calculation Date; and

(c) the amounts (if any) to be credited to the Principal Deficiency Ledger or the Liquidity Reserve Ledger pursuant to items (e), (g), (i), (k) and (l) in the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;

less

(d) the amount of Principal Receipts (if any) or amounts standing to the credit of the Liquidity Reserve Fund to be applied to cover Income Deficits on such Interest Payment Date.

The Issuer shall pay or provide for amounts due under the Pre-Enforcement Revenue Priority of Payments before paying amounts due under the Pre-Enforcement Sequential Priority of Payments or the Pre-Enforcement Pro-Rata Principal Priority of Payments.

Application of Available Principal Receipts prior to the occurrence of a Pro-Rata Trigger Event

Prior to the occurrence of a Pro-Rata Trigger Event or the service of a Note Acceleration Notice on the Issuer, the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the **Pre-Enforcement Sequential Principal Priority of Payments**):

(a) *firstly*, if the Liquidity Reserve Fund is required to be established, and the balance of the Liquidity Reserve Fund is less than the Liquidity Reserve Fund Required Amount, towards a credit to the Liquidity Reserve Fund up to the Liquidity Reserve Fund Required Amount;

(b) *secondly,* towards repayment *pro rata* and *pari passu* according to the respective outstanding amounts thereof:

  (i) any principal amounts outstanding on the Class A1a Notes;

  (ii) any principal amounts due to the Dollar Currency Swap Provider in respect of the Dollar Currency Swap relating to the Class A1b Notes, and from principal amounts received from the Dollar Currency Swap Provider to pay principal outstanding on the Class A1b Notes; and

  (iii) any principal amounts due to the Euro Currency Swap Provider in respect of the Euro Currency Swap relating to the Class A1c Notes, and from principal amounts received from the Euro Currency Swap Provider to pay principal outstanding on the Class A1c Notes;

(c) *thirdly,* towards repayment *pro rata* and *pari passu* according to the respective outstanding amounts thereof:

  (i) any principal amounts outstanding on the Class A2a Notes;

  (ii) any principal amounts outstanding on the Class A2d Notes;

  (iii) any principal amounts due to the Dollar Currency Swap Provider in respect of the Dollar Currency Swap relating to the Class A2b Notes, and from principal amounts received from the Dollar Currency Swap Provider to pay principal outstanding on the Class A2b Notes; and

  (iv) any principal amounts due to the Euro Currency Swap Provider in respect of the Euro Currency Swap relating to the Class A2c Notes, and from principal amounts received from the Euro Currency Swap Provider to pay principal outstanding on the Class A2c Notes;

(d) *fourthly*, towards repayment *pro rata* and *pari passu* according to the respective outstanding amounts thereof:

  (i) any principal amounts outstanding on the Class Ba Notes;

  (ii) any principal amounts due to the Dollar Currency Swap Provider in respect of the Dollar Currency Swap relating to the Class Bb Notes, and from principal amounts received from the Dollar Currency Swap Provider to pay principal outstanding on the Class Bb Notes; and

  (iii) any principal amounts due to the Euro Currency Swap Provider in respect of the Euro Currency Swap relating to the Class Bc Notes, and from principal amounts received from the Euro Currency Swap Provider to pay principal outstanding on the Class Bc Notes;

(e) *fifthly*, towards repayment *pro rata* and *pari passu* according to the respective outstanding amounts thereof:

(i) any principal amounts outstanding on the Class Ca Notes;

(ii) any principal amounts due to the Dollar Currency Swap Provider in respect of the Dollar Currency Swap relating to the Class Cb Notes, and from principal amounts received from the Dollar Currency Swap Provider to pay principal outstanding on the Class Cb Notes; and

(iii) any principal amounts due to the Euro Currency Swap Provider in respect of the Euro Currency Swap relating to the Class Cc Notes, and from principal amounts received from the Euro Currency Swap Provider to pay principal outstanding on the Class Cc Notes; and

(f) *sixthly,* towards repayment *pro rata* and *pari passu* according to the respective outstanding amounts thereof:

(i) any principal amounts outstanding on the Class Da Notes;

(ii) any principal amounts due to the Dollar Currency Swap Provider in respect of the Dollar Currency Swap relating to the Class Db Notes, and from principal amounts received from the Dollar Currency Swap Provider to pay principal outstanding on the Class Db Notes; and

(iii) any principal amounts due to the Euro Currency Swap Provider in respect of the Euro Currency Swap relating to the Class Dc Notes, and from principal amounts received from the Euro Currency Swap Provider to pay principal outstanding on the Class Dc Notes.

Application of Available Principal Receipts after the occurrence of a Pro-Rata Trigger Event but prior to service of a Note Acceleration Notice on the Issuer

Following the occurrence of a Pro-Rata Trigger Event but prior to the service of a Note Acceleration Notice on the Issuer, the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts (less the amount of the Available Principal Receipts to be applied to pay item (a) of the Pre-Enforcement Sequential Principal Priority of Payments) on each Interest Payment Date to repay the Sterling Notes of each class and pay amounts due to the Currency Swap Provider in respect of the Currency Swap relating to each class of Dollar Notes and Euro Notes (using amounts received from the Currency Swap Provider to pay principal outstanding on the relevant class of Dollar Notes and Euro Notes) on a *pro rata* basis (the **Pre-Enforcement Pro-Rata Principal Priority of Payments** and together with the Pre-Enforcement Sequential Principal Priority of Payments, the **Pre-Enforcement Principal Priority of Payments**).

A Pro-Rata Trigger Event will occur if on the Interest Payment Date falling in January 2011 or on any Interest Payment Date thereafter, X is greater than or equal to two times Y where:

X = the Sterling Equivalent Principal Amount Outstanding of the Class A Notes as at the Issue Date divided by the aggregate Sterling Equivalent Principal Amount Outstanding of the Class B Notes, the Class C Notes and the Class D Notes as at the Issue Date; and

Y = the Sterling Equivalent Principal Amount Outstanding of the Class A Notes as at any Calculation Date divided by the aggregate Sterling Equivalent Principal Amount Outstanding of the Class B Notes, the Class C Notes and the Class D Notes as at such Calculation Date.

provided that none of the following events has occurred and is subsisting as at the relevant Calculation Date:

(a) the total principal balance of all Loans in the Portfolio which are 90 days or more in arrears exceeds 3 per cent. of the total principal balance of all the Loans in the Portfolio; or

(b) an amount has been drawn on the Reserve Funds which has not been replenished.

The occurrence of a Pro-Rata Trigger Event will be tested by the Cash Manager on each Calculation Date.

If any of the events described in paragraphs (a) and (b) occurs, then the Pre Enforcement Pro-Rata Principal Priority of Payments shall cease on the immediately following Interest Payment Date, and Available Principal Receipts shall be applied thereafter in accordance with the Pre Enforcement Sequential Principal Priority of Payments.

In order to effect the *pro rata* application of the Available Principal Receipts, the Cash Manager shall calculate the *pro rata* share of each class of Notes of those Available Principal Receipts. This shall be determined by dividing the aggregate Sterling Equivalent Principal Amount Outstanding of the relevant Class of Notes (e.g. the Class A Notes) by the aggregate Sterling Equivalent Principal Amount Outstanding of all of the Notes.

Any Available Principal Receipts allocated to repay the Class A Notes shall be applied to repay the Class A1 Notes before amounts are applied to repay the Class A2 Notes.

All Available Principal Receipts allocated to repay a class of Notes denominated in Dollars or Euro shall be paid to the Currency Swap Provider under the relevant Currency Swap Agreement, and those Notes shall thereafter be repaid from amounts received from the Currency Swap Provider under the relevant Currency Swap Agreement. Notes denominated in Sterling shall be repaid from their *pro rata* share of the Available Principal Receipts.

Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer

Following the service of a Note Acceleration Notice on the Issuer, the Security Trustee will apply amounts (other than amounts representing (i) any excess swap collateral which shall be returned directly to the Currency Swap Provider under the relevant Currency Swap Agreement or the Interest Rate Swap Provider under the Interest Rate Swap Agreements, as applicable, (ii) in respect of the Currency Swap Provider or the Interest Rate Swap Provider, prior to the designation of an early termination date under the relevant Currency Swap Agreement or Interest Rate Swap Agreement and the resulting application of the collateral by way of netting or set-off, an amount equal to the value of all collateral (other than excess swap collateral) provided by the Currency Swap Provider or the Interest Rate Swap Provider, as applicable, to the Issuer pursuant to the relevant Currency Swap Agreement or Interest Rate Swap Agreement and any interest or distributions in respect thereof and (iii) any Replacement Swap Premium received by the Issuer, which shall be paid directly to the relevant Currency Swap Provider or Interest Rate Swap Provider, as applicable) received or recovered following the service of a Note Acceleration Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) in the following order of priority (the **Post- Enforcement Priority of Payments**):

(a) *firstly*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

  (i) any costs, charges, liabilities, expenses and all other amounts then due to the Note Trustee, under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) VAT thereon as provided therein; and

  (ii) any costs, charges, liabilities, expenses and all other amounts then due to the Security Trustee and any Receiver appointed by the Security Trustee, under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;

(b) *secondly*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any remuneration then due and payable to the Agent Bank, the Registrar, the Transfer Agent, the Exchange Agent and the Paying Agents and any costs, charges, liabilities and expenses then due and payable to them under the provisions of the Agency Agreement, together with VAT thereon as provided therein;

(c) *thirdly*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

  (i) any amounts due and payable to the Administrator and any costs, charges, liabilities and expenses then due to the Administrator under the provisions of the Administration Agreement, together with VAT thereon as provided therein;

  (ii) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with VAT thereon as provided therein;

  (iii) any amounts then due and payable to the Account Bank and any costs, charges, liabilities and expenses then due and payable to the Account Bank under the provisions of the Bank Account Agreement, together with VAT thereon as provided therein; and

  (iv) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreements together with VAT thereon as provided therein;

(d) *fourthly*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:

(i) interest and principal due and payable on the Class A1a Notes;

(ii) interest and principal due and payable on the Class A2a Notes;

(iii) interest and principal due and payable on the Class A2d Notes;

(iv) amounts due to the Interest Rate Swap Provider in respect of the Interest Rate Swap Agreement (including any termination payment due and payable by the Issuer but excluding any related Interest Rate Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium);

(v) amounts due to the Dollar Currency Swap Provider in respect of the Dollar Currency Swap relating to the Class A1b Notes and the Class A2b Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from amounts received from the Dollar Currency Swap Provider to pay interest and principal on the Class A1b Notes and the Class A2b Notes; and

(vi) amounts due to the Euro Currency Swap Provider in respect of the Euro Currency Swap relating to the Class A1c Notes and the Class A2c Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from amounts received from the Euro Currency Swap Provider to pay interest and principal due on the Class A1c Notes and the Class A2c Notes;

(e) *fifthly*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:

(i) interest and principal due and payable on the Class Ba Notes;

(ii) amounts due to the Dollar Currency Swap Provider in respect of the Currency Swap relating to the Class Bb Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from amounts received from the Dollar Currency Swap Provider to pay interest and principal due on the Class Bb Notes; and

(iii) amounts due to the Euro Currency Swap Provider in respect of the Euro Currency Swap relating to the Class Bc Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from amounts received from the Euro Currency Swap Provider to pay interest and principal due on the Class Bc Notes;

(f) *sixthly*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:

(i) interest and principal due and payable on the Class Ca Notes;

(ii) amounts due to the Dollar Currency Swap Provider in respect of the Dollar Currency Swap relating to the Class Cb Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from amounts received from the Dollar Currency Swap Provider to pay interest and principal due on the Class Cb Notes; and

(iii) amounts due to the Euro Currency Swap Provider in respect of the Euro Currency Swap relating to the Class Cc Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from amounts received from the Euro Currency Swap Provider to pay interest and principal due on the Class Cc Notes;

(g) *seventhly*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:

(i) interest and principal due and payable on the Class Da Notes;

(ii) amounts due to the Dollar Currency Swap Provider in respect of the Dollar Currency Swap

relating to the Class Db Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from amounts received from the Dollar Currency Swap Provider to pay interest and principal due on the Class Db Notes; and

(iii) amounts due to the Euro Currency Swap Provider in respect of the Euro Currency Swap relating to the Class Dc Notes (including any termination payment due and payable by the Issuer but excluding any related Currency Swap Excluded Termination Amount and only to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium) and from amounts received from the Euro Currency Swap Provider to pay interest and principal due on the Class Dc Notes;

(h) *eighthly*, to pay *pro rata* and *pari passu* any amounts due to:

(i) the Interest Rate Swap Provider in respect of an Interest Rate Swap Excluded Termination Amount (to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium); and

(ii) the Currency Swap Provider in respect of a Currency Swap Excluded Termination Amount (to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium);

(i) *ninthly*, to pay *pro rata* and *pari passu* all amounts of interest due or accrued (if any) but unpaid and any capitalised interest and amounts of principal due to the Start-Up Loan Provider under the Start-Up Loan Agreement;

(j) *tenthly*, to pay amounts due to the Residual Certificate Holders;

(k) *eleventhly*, to pay any additional consideration due to the Seller (which does not represent a payment for the purposes of the Residual Certificates) which has been postponed pursuant to the terms of the Mortgage Sale Agreement (the **Postponed Deferred Consideration**);

(l) *twelfthly*, to pay any deferred consideration due to the Seller (which does not represent a payment for the purposes of the Residual Certificates) pursuant to the terms of the Mortgage Sale Agreement (the **Deferred Consideration**); and

(m) *thirteenthly*, the excess (if any) to the Issuer.

DESCRIPTION OF THE NOTES

General

Each class of Notes will, on the Issue Date, be represented by a Reg S Global Note and a Rule 144A Global Note of the relevant class of Notes. All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Rule 144A Global Notes will be deposited on or about the Issue Date with The Bank of New York as custodian for DTC. The Reg S Global Notes will be deposited on or about the Issue Date with the Common Depository, as the depositary for both Euroclear and Clearstream, Luxembourg.

The Rule 144A Global Notes will be registered in the name of Cede & Co. as the nominee for DTC and the Reg S Global Notes will be registered in the name of The Bank of New York Depository (Nominees) Limited, as nominee for the Common Depositary for both Euroclear and Clearstream, Luxembourg. The Issuer will procure the Registrar to maintain a register in which it will register Cede & Co. as the owner of the Rule 144A Global Notes and a nominee for The Bank of New York as the owner of the Reg S Global Notes.

Upon confirmation by DTC that The Bank of New York has custody of the Rule 144A Global Notes, and upon acceptance of the DTC Letter of Representations sent by the Issuer to DTC, DTC will record Book-Entry Interests representing beneficial interests in the Rule 144A Global Notes attributable thereto.

Upon confirmation by the Common Depository that it has custody of the Reg S Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record Book-Entry Interests representing beneficial interests in the Reg S Global Notes attributable thereto.

Book-Entry Interests in respect of Global Notes will be recorded in denominations of £50,000, €50,000 or $100,000, depending on the currency of denomination, and integral multiples of £1,000, €1,000 and $1,000 (an **Authorised Denomination**). Ownership of Book-Entry Interests will be limited to persons that have accounts with Euroclear, Clearstream, Luxembourg or DTC (**Participants**) or persons that hold interests in the Book-Entry Interests through participants (**Indirect Participants**), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear, Clearstream, Luxembourg or DTC, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear, Clearstream, Luxembourg and DTC, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts to be credited shall be designated by the Managers of the Notes. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg or DTC (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as Cede & Co is the registered holder of the Rule 144A Global Notes underlying the Book-Entry Interests, Cede & Co, will be considered the sole Noteholder of the Rule 144A Global Notes for all purposes under the Trust Deed. So long as a nominee for The Bank of New York is the registered holder of the Reg S Global Notes underlying the Book-Entry Interests, a nominee for The Bank of New York will be considered the sole Noteholder of the Reg S Global Notes for all purposes under the Trust Deed. Except as set forth below under *Issuance of Definitive Notes*, below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See – *Action in Respect of the Global Notes and the Book-Entry Interests*, below.

Unlike legal owners or holders of the Notes, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from DTC, Euroclear or Clearstream, Luxembourg (as the

case may be) and, if applicable, their Participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default under the Global Notes, holders of Book-Entry Interests will be restricted to acting through DTC, Euroclear or, Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by DTC, Euroclear and, Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

In the case of the Reg S Global Notes, unless and until Book-Entry Interests are exchanged for Definitive Notes, the Reg S Global Notes held by the Common Depository may not be transferred except as a whole by the Common Depository to a successor of the Common Depository.

In the case of the Rule 144A Global Notes, unless and until Book-Entry Interests are exchanged for Definitive Notes, the Rule 144A Global Notes held by DTC may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor.

Purchasers of Book-Entry Interests in a Global Note pursuant to Rule 144A will hold Book-Entry Interests in the Rule 144A Global Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Rule 144A Global Note directly through DTC if they are Participants in such system, or indirectly through organisations which are Participants in such system. All Book-Entry Interests in the Rule 144A Global Notes will be subject to the procedures and requirements of DTC (in accordance with the provisions set forth under *Transfers and Transfer Restrictions*, below). Purchasers of Book-Entry Interests in a Global Note pursuant to Regulation S will hold Book-Entry Interests in the Reg S Global Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Reg S Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth under *Transfers and Transfer Restrictions*, below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each Reg S Global Note on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among Participants of DTC and account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Note Trustee, the Security Trustee or any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective Participants or account holders of their respective obligations under the rules and procedures governing their operations.

Payments on Global Notes

Payment of principal of and interest on, and any other amount due in respect of, the Global Notes will be made in dollars (in respect of the Dollar Notes), euro (in respect of the Euro Notes) and sterling (in respect of the Sterling Notes) subject to as provided below under *Denomination of Payments*) by or to the order of The Bank of New York (the **UK Principal Paying Agent**) on behalf of the Issuer to DTC or its nominee as the registered holder thereof with respect to the Rule 144A Global Notes and to the Common Depository or its nominee as the registered holder thereof with respect to the Reg S Global Notes. Each holder of Book-Entry Interests must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for its share of any amounts paid by or on behalf of the Issuer DTC, the Common Depository or their nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the UK Principal Paying Agent to the Common Depository, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or of Clearstream, Luxembourg. In the case of payments made in dollars (as provided under *Denomination of Payments*, below), upon receipt of any payment from the UK Principal Paying Agent, DTC will promptly credit its Participants' accounts with payments in amounts proportionate to their respective

ownership of Book-Entry Interests as shown on the records of DTC (except to the extent a Participant has elected to receive a payment of interest outside DTC in sterling or euros). The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in ''street name'', and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Denomination of Payments

DTC is unable to accept payments denominated in sterling or euro in respect of the Rule 144A Global Notes. Accordingly, holders of beneficial interests in those Rule 144A Global Notes issued in respect of the Euro Notes and the Sterling Notes must, in accordance with the Agency Agreement, cause the Participant through which the beneficial interest is held to notify The Bank of New York, (the **Exchange Agent**) and DTC not less than 15 days prior to each Interest Payment Date (i) that they wish such Participant to be paid in sterling or euro, as applicable, outside DTC on their behalf and (ii) of the relevant bank account details into which such sterling or euro payments are to be made.

If such instructions are not received by DTC, the Exchange Agent, pursuant to the Agency Agreement, will exchange the relevant sterling or euro amounts into dollars at the highest exchange rate quoted by three foreign exchange dealers (which may include the Exchange Agent) in New York City and the relevant holders of beneficial interests will receive the dollar equivalent of such sterling or euro payment converted at such exchange rate (the **Exchange Rate**). In the event that the Exchange Agent is unable to convert the relevant sterling or euro amounts into dollars, the Exchange Agent shall cease to have any further responsibility with respect to making such conversion.

Information Regarding DTC, Euroclear and Clearstream, Luxembourg

DTC, Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

DTC

DTC is a limited-purpose trust company organised under the New York Banking Law, a ''banking organisation'' within the meaning of the New York Banking Law, a member of the Federal Reserve System, a ''clearing corporation'' within the meaning of the New York Uniform Commercial Code, and a ''clearing agency'' registered pursuant to the provisions of Section 17A of the United States Securities Exchange Act of 1934, as amended (the **Exchange Act**). DTC was created to hold securities of its Participants and to facilitate the clearance and settlement of transactions among its Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations, some of whom (and/or their representatives) own DTC. The rules applicable to DTC and its Participants and Indirect Participants are on file with the Securities and Exchange Commission.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if either the Issuer or the Note Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed, Euroclear, Clearstream, Luxembourg or DTC, as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the UK Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the nominee of the Common Depository, in the case of the Reg S Global Notes, and to the nominee of DTC, in the case of the Rule 144A Global Notes, and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the UK Principal Paying Agent for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the UK Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of a Global Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, on *pro rata* basis (or on such basis at DTC, Euroclear or Clearstream, Luxembourg, deems fair and appropriate). Upon any redemption in part, the UK Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the UK Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto and the corresponding entry on the Register.

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear, Clearstream, Luxembourg or DTC, as applicable, pursuant to customary procedures established by each respective system and its Participants. See — *General*, above.

Each Rule 144A Global Note will bear a legend substantially identical to that appearing under *Transfer Restrictions and Investor Representations*, below, and the holder of any Rule 144A Global Note or any Book-Entry Interest in such Rule 144A Global Note will undertake that it will not transfer such Notes except in compliance with the transfer restrictions set forth in such legend. A Book-Entry Interest in a Rule 144A Global Note of one class or sub-class, may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Reg S Global Note of the same class, or sub-class, whether before or after the expiration of the period ending 40 days after the later of the commencement of the offering of the Notes and the closing of the offering of the Notes (the **Distribution Compliance Period**), only upon receipt by the Issuer of a written certification from the transferor to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the Securities Act (if available).

Each Reg S Global Note will bear a legend substantially identical to that appearing under *Transfer Restrictions and Investor Representations*. Prior to the expiration of the Distribution Compliance Period, a Book-Entry Interest in a Reg S Global Note of one class or sub-class, may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Note of the same class or sub-class, only upon receipt by the Issuer of written certification from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or for an account or accounts as to which it exercises sole investment discretion and that such person and such account or accounts is a ''qualified institutional buyer'' within the meaning of Rule 144A, in each case, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest in a Reg S Global Note of one class or sub-class, that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Note of the same class or sub-class, will, upon transfer, cease to be represented by a Book-Entry Interest in such Reg S Global Note and will become represented by a Book-Entry Interest in such Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Rule 144A Global Note for as long as it remains such a Book-Entry Interest. Any Book-Entry Interest in a Rule 144A Global Note of one class or sub-class, that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Reg S Global Note of the same class or sub-class, will, upon transfer, cease to be represented by a Book-Entry Interest in such Rule 144A Global Note and will become represented by a Book-Entry Interest in such Reg S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Reg S Global Note as long as it remains such a Book-Entry Interest.

Issuance of Definitive Notes

Holders of Book-Entry Interests in a Rule 144A Global Note or Reg S Global Note will be entitled to receive Definitive Notes in registered form (**Registered Definitive Notes**) in exchange for their respective holdings of Book-Entry Interests if (i) (in the case of Rule 144A Global Notes) DTC has notified the Issuer that it is at any time unwilling or unable to continue as holder of the Rule 144A Global Notes or is at any time unwilling or unable to continue as, or ceases to be, a clearing agency registered under the Exchange Act, and a successor to DTC registered as a clearing agency under the Exchange Act is not able to be appointed by the Issuer within 90 days of such notification, or (in the case of Reg S Global Notes) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Note Trustee is available, or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form. Any Registered Definitive Notes issued in exchange for Book-Entry Interests in a Rule 144A Global Note or a Reg S Global Note will be registered by the Registrar in such name or names as the Issuer shall instruct the UK Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be (in the case of Reg S Global Notes), or DTC (in the case of Rule 144A Global Notes). It is expected that such instructions will be based upon directions received by Euroclear, Clearstream, Luxembourg or DTC from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Registered Definitive Notes issued in exchange for Book-Entry Interests in Rule 144A Global Note or a Reg S Global Note, as the case may be, will not be entitled to exchange such Registered Definitive Note for Book-Entry Interests in a Reg S Global Note or a Rule 144A Global Note, as the case may be. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under *Transfers and Transfer Restrictions*.

Action in Respect of the Global Notes and the Book-Entry Interests

Not later than 10 days after receipt by the Issuer of any notices in respect of the Global Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Notes, the Issuer will deliver to Euroclear, Clearstream, Luxembourg and DTC a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear, Clearstream, Luxembourg and DTC will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear, Clearstream, Luxembourg or DTC, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Notes in accordance with any instructions set forth in such request. Euroclear, Clearstream, Luxembourg or DTC are expected to follow the procedures described under *General*, above, with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Reports

The Issuer will send to Euroclear, Clearstream, Luxembourg and DTC a copy of any notices, reports and other communications received relating to the Issuer, the Global Notes or the Book-Entry Interests. In addition, notices regarding the Notes will be published in a leading newspaper having a general circulation in London (which so long as the Notes are listed on the London Stock Exchange and the rules of such Stock Exchange shall so require, is expected to be the *Financial Times*); provided that if, at any time, the Issuer procures that the information contained in such notice shall appear on a page of the Reuters Screen, the Bloomberg Screen, or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee, publication in the *Financial Times* shall not be required with respect to such information so long as the rules of the London Stock Exchange allow. See also Condition 15 of the Notes.

TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions (the **Conditions** and any reference to a **Condition** shall be construed accordingly) of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).*

1. GENERAL

The £100,000,000 class A1a asset backed floating rate Notes due 2015 (the **Class A1a Notes**), the $1,560,000,000 class A1b asset backed floating rate Notes due 2015 (the **Class A1b Notes**), the €545,000,000 class A1c asset backed floating rate Notes due 2015 (the **Class A1c Notes** and, together with the Class A1a Notes and the Class A1b Notes, the **Class A1 Notes**), the £500,000,000 class A2a asset backed floating rate Notes due 2041 (the **Class A2a Notes**), the $2,440,000,000 class A2b asset backed floating rate Notes due 2041 (the **Class A2b Notes**), the €780,000,000 class A2c asset backed floating rate Notes due 2041 (the **Class A2c Notes**), the £600,000,000 Class A2d asset backed floating rate Notes due 2041 (the **Class A2d Notes** and together with the Class A2a Notes, the Class A2b Notes and the Class A2c Notes, the **Class A2 Notes** and together with the Class A1 Notes, the **Class A Notes**), the £32,000,000 class Ba asset backed floating rate Notes due 2041 (the **Class Ba Notes**), the $4,000,000 class Bb asset backed floating rate Notes due 2041 (the **Class Bb Notes**), the €32,500,000 class Bc asset backed floating rate Notes due 2041 (the **Class Bc Notes** and, together with the Class Ba Notes and the Class Bb Notes, the **Class B Notes**), £17,000,000 class Ca asset backed floating rate Notes due 2041 (the **Class Ca Notes**), the $16,000,000 class Cb asset backed floating rate Notes due 2041 (the **Class Cb Notes**), the €15,000,000 class Cc asset backed floating rate Notes due 2041 (the **Class Cc Notes** and, together with the Class Ca Notes and the Class Cb Notes, the **Class C Notes**), the £24,000,000 class Da asset backed floating rate Notes due 2041 (the **Class Da Notes**), the $34,000,000 class Db asset backed floating rate Notes due 2041 (the **Class Db Notes**), the €16,500,000 class Dc asset backed floating rate Notes due 2041 (the **Class Dc Notes** and, together with the Class Da Notes and the Class Db Notes, the **Class D Notes** and, together with the Class A Notes, the Class B Notes and the Class C Notes, the **Notes** and the Class A1a Notes, the Class A2a Notes, the Class A2d Notes, the Class Ba Notes, the Class Ca Notes and the Class Da Notes are together referred to as the **Sterling Notes**, the Class A1b Notes, the Class A2b Notes, the Class Bb Notes, the Class Cb Notes and the Class Db Notes are together referred to as the **Dollar Notes**, and the Class A1c Notes, the Class A2c Notes, the Class Bc Notes, the Class Cc Notes and the Class Dc Notes are together referred to as the **Euro Notes**), in each case of Gracechurch Mortgage Funding PLC (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) expected to be dated on or about 21 December, 2005 (the **Closing Date**) and made between the Issuer and The Bank of New York, London Branch (in such capacity, the **Note Trustee**) as trustee for the Noteholders (as defined below). Any reference in these terms and conditions (the **Conditions**) to a **class** of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes, as the case may be, or to the respective holders thereof.

The security for the Notes is constituted by a deed of charge and assignment (the **Deed of Charge**) dated the Closing Date and made between, among others, the Issuer and The Bank of New York, London Branch (in such capacity, the **Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**) dated the Closing Date and made between the Issuer, the Note Trustee, The Bank of New York, London Branch as principal paying agent in the United Kingdom (the **Principal Paying Agent**), The Bank of New York, acting through its New York office as paying agent in the United States of America (the **US Paying Agent** together with the Principal Paying Agent and any further or other paying agents for the time being appointed under the Agency Agreement, the **Paying Agents**), as registrar (the **Registrar**), as transfer agent (the **Transfer Agent**), as exchange agent (the **Exchange Agent**) and as agent bank (the **Agent Bank**), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge and the Master Definitions and Construction Schedule (the **Master Definitions and Construction Schedule**) signed by Allen & Overy LLP and Weil, Gotshal & Manges for the purpose of identification on or about the Closing Date and the other Transaction Documents. The Notes are also subject to the Dollar Currency Swap Agreements or the Euro Currency Swap Agreements as applicable (each as defined in **Condition 20** (**Definitions**)).

Copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours at the specified office for the time being of each of the Paying Agents. The Noteholders are

entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

Each class of Notes initially offered and sold outside the United States to non-US persons pursuant to Regulation S (**Reg S**) under the United States Securities Act of 1933, as amended (the **Securities Act**), will initially be represented by a separate global note in registered form for each such class (each a **Reg S Global Note**).

Each class of Notes initially offered and sold in the United States to qualified institutional buyers as defined in and in reliance on Rule 144A (**Rule 144A**) under the Securities Act likewise will initially be represented by a separate global note in registered form for each such class (each a **Rule 144A Global Note** and, together with the Reg S Global Notes, the **Global Notes**), and which, in aggregate, will represent the aggregate **Principal Amount Outstanding** of the Notes.

For so long as any Notes are represented by a Global Note, transfers and exchanges of beneficial interests in Global Notes and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of The Depository Trust Company (**DTC**), Euroclear Bank S.A./N.V., as operator of the Euroclear System (**Euroclear**) or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), as appropriate.

A Global Note will be exchanged for Notes of the relevant class in definitive registered form (such exchanged Global Notes, the **Definitive Notes**) only if any of the following applies:

(a) in respect of the Rule 144A Global Notes, DTC has notified the Issuer that it is at any time unwilling or unable to continue as holder of the Rule 144A Global Notes or is at any time unwilling or unable to continue as, or has ceased to be, a clearing agency registered under the Exchange Act, and a successor to DTC registered as a clearing agency under the Exchange Act is not able to be appointed by the Issuer within 90 days of such notification or in respect of the Reg S Global Notes, both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Note Trustee is available; or

(b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive registered form.

If Definitive Notes are issued in respect of Notes originally represented by the Global Notes, the beneficial interests represented by the Reg S Global Note of each class and by the Rule 144A Global Notes of each class shall be exchanged by the Issuer for Notes of such classes in definitive form (the **Reg S Definitive Notes** and **Rule 144A Definitive Notes** respectively). The aggregate principal amount of the Reg S Definitive Notes and the Rule 144A Definitive Notes of each class shall be equal to the Principal Amount Outstanding at the date on which notice of exchange is given of the Reg S Global Note or, as the case may be, the Rule 144A Global Note of the corresponding class, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the relevant Global Note.

Definitive Notes of each class (which, if issued, will be in the denominations set out below) will be serially numbered and will be issued in registered form only.

The minimum denominations of the Notes in global and (if issued) definitive form will be as follows:

(a) Class A1a Notes, £50,000;

(b) Class A2a Notes, £50,000;

(c) Class A2d Notes, £50,000;

(d) Class Ba Notes, £50,000;

(e) Class Ca Notes, £50,000;

(f) Class Da Notes, £50,000;

(g) Class A1b Note, $100,000;

(h) Class A2b Notes, $100,000;

(i) Class Bb Notes, $100,000;

(j) Class Cb Notes, $100,000;

(k) Class Db Notes, $100,000;

(l) Class A1c Notes, €50,000;

(m) Class A2c Notes, €50,000;

(n) Class Bc Notes, €50,000;

(o) Class Cc Notes, €50,000; and

(p) Class Dc Notes, €50,000,

and any amount in excess thereof in integral multiples of $1,000, €1,000 or £1,000, as applicable, and in such other denominations as the Note Trustee shall determine (which, in the case of the Dollar Notes must be higher than $100,000, in the case of the Euro Notes must be higher than €50,000 and in the case of the Sterling Notes must be higher than £50,000) and notify to the relevant Noteholders.

References to **Notes** in these Conditions shall include the Global Notes and the Definitive Notes.

2.2 Title

Title to the Global Notes shall pass by and upon registration in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar. The registered holder of any Global Note may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Note regardless of any notice of ownership, theft or loss of any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to a Definitive Note shall only pass by and upon registration in the Register. Such Definitive Notes may be transferred in whole (but not in part) upon the surrender of the relevant Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or the Transfer Agent. All transfers of such Definitive Notes are subject to any restrictions on transfer set forth on such Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Definitive Note to be issued upon transfer of such Definitive Note will, within five Business Days of receipt and surrender of such Definitive Note (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Definitive Note to such address as may be specified in the relevant form of transfer.

Registration of a Definitive Note on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax or other government charges which may be imposed in relation to it.

The Notes are not issuable in bearer form.

3. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY

3.1 Status and relationship between the Notes

(a) The Class A Notes constitute direct, secured and unconditional obligations of the Issuer. In

respect of interest due and payable on the Class A Notes, the Class A Notes rank *pari passu* without preference or priority amongst themselves and in respect of principal amounts due on the Class A Notes, the Class A1 Notes rank senior to the Class A2 Notes prior to an Event of Default as provided in these Conditions and the Transaction Documents.

(b) The Class B Notes constitute direct, secured and, subject as provided in **Condition 16** (**Subordination by Deferral**), unconditional obligations of the Issuer. The Class B Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes as provided in these Conditions and the Transaction Documents.

(c) The Class C Notes constitute direct, secured and, subject as provided in **Condition 16** (**Subordination by Deferral**), unconditional obligations of the Issuer. The Class C Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes and the Class B Notes as provided in these Conditions and the Transaction Documents.

(d) The Class D Notes constitute direct, secured and, subject as provided in **Condition 16** (**Subordination by Deferral**), unconditional obligations of the Issuer. The Class D Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes, the Class B Notes and the Class C Notes as provided in these Conditions and the Transaction Documents.

(e) The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise), but requiring the Note Trustee and the Security Trustee in any such case to have regard only to:

(i) the interests of the Class A Noteholders if, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, there is a conflict between the interests of:

(A) the Class A Noteholders; and

(B) the Class B Noteholders, the Class C Noteholders and/or the Class D Noteholders; or

(ii) subject to paragraph (i) above, the interests of the Class B Noteholders if, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, there is a conflict between the interests of:

(A) the Class B Noteholders; and

(B) the Class C Noteholders and/or the Class D Noteholders; or

(iii) subject to paragraphs (i) and (ii) above, the interests of the Class C Noteholders if, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, there is a conflict between the interests of:

(A) the Class C Noteholders; and

(B) the Class D Noteholders.

So long as any of the Notes remain outstanding, the Security Trustee is not required to have regard to the interests of any persons (other than the Noteholders) entitled to the benefit of the security constituted by the Deed of Charge.

(f) The Trust Deed and the Deed of Charge contain provisions:

(i) limiting the powers of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and/or the Residual Certificate Holders to request or direct the Note Trustee or the Security Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class A Noteholders;

(ii) limiting the powers of the Class C Noteholders, the Class D Noteholders and/or the Residual Certificate Holders to request or direct the Note Trustee or the Security Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class B Noteholders;

(iii) limiting the powers of the Class D Noteholders and/or the Residual Certificate Holders to request or direct the Note Trustee or the Security Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class C Noteholders; and

(iv) limiting the powers of the Residual Certificate Holders to request or direct the Note Trustee or the Security Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class D Noteholders.

Except in certain circumstances set out in the Trust Deed and the Deed of Charge, there is no such limitation on the powers of (a) the Class A Noteholders, the exercise of which will be binding on the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Residual Certificate Holders; (b) the Class B Noteholders, the exercise of which will be binding on the Class C Noteholders, the Class D Noteholders and the Residual Certificate Holders; (c) the Class C Noteholders, the exercise of which will be binding on the Class D Noteholders and the Residual Certificate Holders; and (e) the Class D Noteholders, the exercise of which will be binding on the Residual Certificate Holders.

In respect of the interests of the Residual Certificate Holders, the Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee not to have regard to the interests of the Residual Certificate Holders as regards all powers, trusts, authorities, duties and discretions of the Note Trustee. The Note Trustee may only be directed by the Residual Certificate Holders, and any Extraordinary Resolution of the Residual Certificate Holders will only be effective if the Note Trustee, is of the opinion that the effect of the same will not be materially prejudicial to the interests of any or all of the Noteholders or is sanctioned by an Extraordinary Resolution of each class of Noteholders.

3.2 Security

(a) The security constituted by the Deed of Charge is granted to the Security Trustee, on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.

(b) The Noteholders will share in the benefit of the security constituted by the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

4. COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

(a) **Negative pledge**: create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;

(b) **Restrictions on activities**: (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities of which the Transaction Documents provide or envisage that the Issuer will engage; or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985) or any employees or premises;

(c) **Disposal of assets**: transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(d) **Equitable Interest**: permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(e) **Dividends or distributions**: pay any dividend or make any other distribution to its shareholders or issue any further shares;

(f) **Indebtedness**: incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;

(g) **Merger**: consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

(h) **No modification or waiver**: permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent,

approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;

(i) **Bank accounts**: have an interest in any bank account other than the Bank Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee; or

(j) **US activities**: engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

5. INTEREST

5.1 Interest Accrual

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with **Condition 6** (**Payments**), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.2 Interest Payment Dates

The Notes bear interest on their respective Principal Amounts Outstanding from and including the Closing Date payable quarterly in arrear on the 11th day of January, April, July and October in each year (each an **Interest Payment Date** in respect of the Interest Period (as defined below) ended immediately prior thereto). If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. The first Interest Payment Date shall fall on 11 April, 2006. The period from and including the Closing Date to but excluding the first Interest Payment Date and each successive period from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date is called an **Interest Period**.

5.3 Rate of Interest

The rate of interest payable from time to time in respect of each class of the Notes (each a **Rate of Interest** and together the **Rates of Interest**) will be determined on the basis of the following provisions:

(a) In respect of the Dollar Notes:

(i) on the initial Dollar Interest Determination Date (as defined below), the Agent Bank will calculate the Initial Relevant Screen Rate (as defined below) in respect of each class of Dollar Notes as at or about 11.00 a.m. (London time) on that date. If the Initial Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined below) to provide the Agent Bank with its offered quotation to leading banks for three-month and four-month Dollar deposits of $10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on such Dollar Interest Determination Date. The Rates of Interest for the first Interest Period shall be the aggregate of (a) the Relevant Margin (as defined below) and (b) the Initial Relevant Screen Rate in respect of the Dollar Notes or, if the Initial Relevant Screen Rate is unavailable, the linear interpolation of the arithmetic mean of such offered quotations for three-month and four-month Dollar deposits (rounded upwards, if necessary, to five decimal places);

(ii) on each subsequent Dollar Interest Determination Date, the Agent Bank will determine the Relevant Screen Rate (as defined below) in respect of each class of Dollar Notes as at or about 11.00 a.m. (London time) on the Dollar Interest Determination Date in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation

to leading banks for three-month Dollar deposits of $10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Dollar Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of (a) the Relevant Margin and (b) the Relevant Screen Rate or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three-month Dollar deposits (rounded upwards, if necessary, to five decimal places); and

(iii) if, on any Dollar Interest Determination Date, the Relevant Screen Rate is unavailable and two or three only of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of subparagraph (i) or, as the case may be, subparagraph (ii) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Dollar Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Note Trustee and the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank (which bank or banks are in the opinion of the Note Trustee suitable for such purpose) and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the immediately preceding Interest Period to which subparagraph (i) or (ii), as the case may be, shall have applied but taking account of any change in the Relevant Margin;

(b) In respect of the Euro Notes:

(i) on the initial Euro Interest Determination Date (as defined below), the Agent Bank will calculate the Initial Relevant Screen Rate (as defined below) in respect of each class of Euro Notes as at or about 11.00 a.m. (Brussels time) on that date. If the Initial Relevant Screen Rate is unavailable, the Agent Bank will request the principal Euro-Zone office of each of the Reference Banks (as defined below) to provide the Agent Bank with its offered quotation to prime banks for three-month and four-month Euro deposits of €10,000,000 in the Eurozone interbank market as at or about 11.00 a.m. (Brussels time) on such Euro Interest Determination Date. The Rates of Interest for the first Interest Period shall be the aggregate of (a) the Relevant Margin (as defined below) and (b) the Initial Relevant Screen Rate in respect of the Euro Notes or, if the Initial Relevant Screen Rate is unavailable, the linear interpolation of the arithmetic mean of such offered quotations for three-month Euro deposits and the arithmetic mean of such offered quotations for four-month Euro deposits (rounded upwards, if necessary, to five decimal places);

(ii) on each subsequent Euro Interest Determination Date the Agent Bank will determine the Relevant Screen Rate in respect of each class of Euro Notes as at or about 11.00 a.m. (Brussels time) on the Euro Interest Determination Date in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal Euro-Zone office of each of the Reference Banks to provide the Agent Bank with its offered quotation to prime banks for three-month Euro deposits of €10,000,000 in the Eurozone interbank market as at or about 11.00 a.m. (Brussels time) on the relevant Euro Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of (a) the Relevant Margin and (b) the Relevant Screen Rate or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for Euro deposits (rounded upwards, if necessary, to five decimal places); and

(iii) if, on any Euro Interest Determination Date, the Relevant Screen Rate is unavailable and two or three only of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of subparagraph (i) or, as the case may be, subparagraph (ii) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Euro Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Note Trustee and the Issuer for the purposes of agreeing two banks (or, where one only of the

Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank (which bank or banks are in the opinion of the Note Trustee suitable for such purpose) and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which subparagraph (i) or (ii), as the case may be, shall have applied but, as applicable, taking account of any change in the Relevant Margin;

(c) In respect of the Sterling Notes:

(i) the rate of interest payable in respect of the Sterling Notes shall be a floating rate of interest calculated in accordance with paragraphs (ii), (iii) and (iv) below;

(ii) on the initial Sterling Interest Determination Date (as defined below), the Agent Bank will determine the Initial Relevant Screen Rate in respect of each class of the Sterling Notes as at or about 11.00 a.m. (London time) on that date. If the Initial Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three-month and four-month Sterling deposits of £10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on such initial Sterling Interest Determination Date and the Rates of Interest for the first Interest Period shall be the aggregate of (a) the Relevant Margin and (b) the Initial Relevant Screen Rate in respect of the Sterling Notes, or, if the Initial Relevant Screen Rate is unavailable, the linear interpolation of the arithmetic mean of such offered quotations for three-month Sterling deposits and the arithmetic mean of such offered quotations for four-month Sterling deposits (rounded upwards, if necessary, to five decimal places);

(iii) on each subsequent Sterling Interest Determination Date in the case of the Sterling Notes, the Agent Bank will determine the Relevant Screen Rate in respect of the Sterling Notes, as at or about 11.00 a.m (London time) on the Sterling Interest Determination Date in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three-month Sterling deposits of £10,000,000 in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Sterling Interest Determination Date and the Rates of Interest for the relevant Interest Period shall be the aggregate of (a) the Relevant Margin and (b) the Relevant Screen Rate or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for Sterling deposits (rounded upwards, if necessary, to five decimal places); and

(iv) if, on any Sterling Interest Determination Date, the Relevant Screen Rate is unavailable and two or three only of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of subparagraphs (ii) and (iii) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Sterling Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Note Trustee and the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank (which bank or banks are in the opinion of the Note Trustee suitable for such purpose) and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which subparagraph (ii) or (iii), as the case may be, shall have applied but taking account of any change in the Relevant Margin.

There will be no minimum or maximum Rate of Interest.

(d) In these Conditions (except where otherwise defined), the expression:

(i) **Business Day** means a day which is a New York Business Day, a London Business Day and a TARGET Business Day. A **New York Business Day** means a day (other than a Saturday or a Sunday) on which banks are generally open for business in the city of New York; **London Business Day** means a day (other than a Saturday or a Sunday) on which banks are generally open for business in London; and **TARGET Business Day** means a day on which the Trans-European Automated Realtime Gross settlement Express Transfer (TARGET) system is open.

(ii) **Dollar Interest Determination Date** means two London Business Days before the first day of the Interest Period for which the rate will apply (or if such day is not a Business Day, the next succeeding Business Day);

(iii) **Euro Interest Determination Date** means two TARGET Business Days before the first day of the Interest Period for which the rate will apply;

(iv) **Euro-zone** means the region comprised of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25th March, 1957) as amended;

(v) **Initial Relevant Screen Rate** means:

(A) in respect of the Dollar Notes, the linear interpolation of the arithmetic mean of the offered quotations to leading banks for three-month Dollar deposits and the arithmetic mean of the offered quotations to leading banks for four-month Dollar deposits (in each case) (rounded upwards, if necessary, to five decimal places), displayed on the Moneyline Telerate Monitor at Telerate page number 3750 (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer with the approval of the Note Trustee;

(B) in respect of the Euro Notes, the linear interpolation of the arithmetic mean of the offered quotations to prime banks for three-month Euro deposits and the arithmetic mean of the offered quotations to prime banks for four-month Euro deposits (rounded upwards, if necessary, to five decimal places), displayed on the Moneyline Telerate monitor at Telerate page number 248 (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer with the approval of the Note Trustee; and

(C) in respect of the Sterling Notes, the linear interpolation of the arithmetic mean of the offered quotations to leading banks for three-month Sterling deposits and the arithmetic mean of the offered quotations to leading banks for four-month Sterling deposits (rounded upwards, if necessary, to five decimal places), displayed on the Moneyline Telerate monitor at Telerate page number 3750 (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer with the approval of the Note Trustee;

(vi) **Relevant Margin** means in respect of each class of the Notes the following per cent. per annum:

CLASS	*UP TO AND INCLUDING THE INTEREST PERIOD ENDING IN JANUARY 2011*	*THEREAFTER*
Class A1a Notes	0.04	0.08
Class A1b Notes	0.04	0.08
Class A1c Notes	0.04	0.08
Class A2a Notes	0.08	0.16
Class A2b Notes	0.07	0.14
Class A2c Notes	0.08	0.16
Class A2d Notes	0.08	0.16
Class Ba Notes	0.18	0.36
Class Bb Notes	0.18	0.36
Class Bc Notes	0.18	0.36
Class Ca Notes	0.28	0.56
Class Cb Notes	0.28	0.56
Class Cc Notes	0.28	0.56
Class Da Notes	0.47	0.94
Class Db Notes	0.47	0.94
Class Dc Notes	0.47	0.94

(vii) **Relevant Screen Rate** means:

(A) in respect of the first Interest Period, the Initial Relevant Screen Rate, if any; and

(B) in respect of subsequent Interest Periods of the Dollar Notes, the arithmetic mean of the offered quotations to leading banks for three-month Dollar deposits in the London interbank market displayed on the Moneyline Telerate Monitor at Telerate page number 3750;

(C) in respect of subsequent Interest Periods of the Euro Notes, the arithmetic mean of offered quotations to prime banks for three-month Euro deposits in the Eurozone interbank market displayed on the Moneyline Telerate Monitor at Telerate page number 248; and

(D) in respect of subsequent Interest Periods of the Sterling Notes, the arithmetic mean of offered quotations for three-month Sterling deposits in the London interbank market displayed on the Moneyline Telerate Monitor at Telerate page number 3750;

in each case, displayed on the above-mentioned page of the Moneyline Telerate Monitor (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer with the approval of the Note Trustee (rounded upwards, if necessary, to five decimal places);

(viii) **Reference Banks** means the principal London office of each of five major banks engaged in the London interbank market selected by the Agent Bank with the approval of the Issuer, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such; and

(ix) **Sterling Interest Determination Date** means the first day of the Interest Period for which the rate will apply.

5.4 Determination of Rate of Interest and Interest Amounts

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on each Dollar Interest Determination Date, Euro Interest Determination Date and Sterling Interest Determination Date but in no event later than the third Business Day thereafter, determine the respective Dollar amount (in respect of a Dollar Note), the Euro amount (in respect of a Euro Note) and the Sterling amount (in

respect of a Sterling Note) (in each case, the **Interest Amounts**) payable in respect of interest on the Principal Amount Outstanding of each class of the Notes for the relevant Interest Period. The Interest Amounts shall be determined by applying the relevant Rate of Interest to such Principal Amount Outstanding, multiplying the sum by the actual number of days in the Interest Period concerned divided by 360 (in respect of a Dollar Note or a Euro Note) or 365 (in respect of a Sterling Note) or (in the case of a Interest Period ending in a leap year) 366 and rounding the resulting figure downwards to the nearest penny (in respect of a Sterling Note) or cent (in respect of a Dollar Note and a Euro Note), as the case may be.

5.5 Publication of Rate of Interest and Interest Amounts

The Agent Bank shall cause the Rates of Interest and the Interest Amounts for each Interest Period and the relative Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with **Condition 15** (**Notice to Noteholders**) as soon as possible after their determination and in no event later than the second **Business Day** thereafter. The Interest Amounts and Interest Payment Date 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.

5.6 Determination by the Note Trustee

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and Interest Amounts in accordance with the above provisions, determine the Rates of Interest and Interest Amounts, the former at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above, it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in **Condition 5.4** (**Determination of Rate of Interest and Interest Amounts**)) and any such determination shall be deemed to be determinations made by the Agent Bank.

5.7 Notifications, etc. to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this **Condition 5**, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, the Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this **Condition 5**.

5.8 Agent Bank

The Issuer shall procure that, so long as any of the Notes remains outstanding, there is at all times an Agent Bank for the purposes of the Notes and the Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rates of Interest and the Interest Amounts for any Interest Period, the Issuer shall, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

6. PAYMENTS

6.1 Payment of Interest and Principal

Payments of principal and interest shall be made by US Dollar cheque, in respect of the Dollar Global Notes; or Euro cheque, in respect of the Euro Global Notes; or Sterling cheque in respect of the Sterling Global Notes; or upon application by the relevant Noteholder to the specified office of the US Paying Agent (in respect of the Dollar Global Notes) or the Principal Paying Agent (in respect of the Euro

Global Notes and the Sterling Global Notes) not later than the fifteenth day before the due date for any such payment, by transfer to a US Dollar account maintained by the payee with a bank in New York City or (as the case may be) to a Euro account or to a Sterling account maintained by the payee with a bank in London, as the case may be, and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Global Notes or Definitive Notes (as the case may be) at the specified office of any Paying Agent.

6.2 Laws and Regulations

Payments of principal and interest in respect of the Notes are subject, in all cases, to any fiscal or other laws and regulations applicable thereto. Noteholders will not be charged commissions or expenses on payments.

6.3 Payment of Interest following a Failure to pay Principal

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with **Condition 5.1** (**Interest Accrual**) will be paid, in respect of a Global Note, as described in **Condition 6.1** (**Payment of Interest and Principal**) above and, in respect of any Definitive Note, in accordance with this **Condition 6**.

6.4 Change of Paying Agents

The initial Principal Paying Agent, the initial Registrar, the initial Transfer Agent and the initial US Paying Agent and their respective initial specified offices are listed at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar, the Transfer Agent and the US Paying Agent and to appoint additional or other Agents provided that:

(a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent with a specified office in London, and for so long as amounts are outstanding in respect of the Dollar Notes, a US Paying Agent with a specified office in New York City and a Registrar; and

(b) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Except where otherwise provided in the Trust Deed, the Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents, the Transfer Agent or the Registrar or their specified offices to be given in accordance with **Condition 15** (**Notice to Noteholders**) and will notify the Rating Agencies of such change or addition.

6.5 No Payment on non-Business Day

If the date for payment of any amount in respect of a Note is not a Business Day, Noteholders shall not be entitled to payment until the next following Business Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In this **Condition 6.5**, the expression **Business Day** means a day which is (i) a New York Business Day, (ii) a London Business Day, (iii) a TARGET Business Day and (iv) a day on which banks are generally open for business in the relevant place.

6.6 Partial Payment

If a Paying Agent makes a partial payment in respect of any Note, the Registrar will, in respect of the relevant Note, annotate the register of noteholders, indicating the amount and date of such payment.

6.7 Payment of Interest

If interest is not paid in respect of a Note of any class on the date when due and payable (other than because the due date is not a Business Day (as defined in **Condition 6.5** (**No Payment on non-Business Day**)) or by reason of non-compliance with **Condition 6.1** (**Payment of Interest and Principal**), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Note until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with **Condition 15** (**Notice to Noteholders**).

7. REDEMPTION

7.1 Redemption at maturity

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amounts Outstanding on the Interest Payment Date falling in October 2015, in the case of the Class A1 Notes, and October 2041, in the case of the Class A2 Notes, and on October 2041, in the case of the Class B Notes, and on October 2041, in the case of the Class C Notes, and on October 2041 in the case of the Class D Notes.

7.2 Mandatory redemption

(a) Each Note shall, subject to Condition 7.3 (Optional redemption in full) and 7.4 (Optional redemption for taxation or other reasons) and Condition 7.5 (Redemption or purchase following a regulatory event), be repaid on each Interest Payment Date from the Available Principal Receipts, after the Issuer has paid, or provided for, amounts ranking in priority to the relevant class of Notes in accordance with the terms of the Deed of Charge. It is not intended to maintain surplus Available Principal Receipts in the Issuer.

(b) Subject to the terms of the Deed of Charge, prior to the occurrence of a Pro-Rata Trigger Event, Available Principal Receipts will be applied to repay the Notes sequentially in the following order of priority:

(i) *first,* in or towards repayment *pro-rata* and *pari passu* of the Class A1 Notes;

(ii) *second,* in or towards repayment *pro-rata* and *pari passu* of the Class A2 Notes;

(iii) *third,* in or towards repayment *pro-rata* and *pari passu* of the Class B Notes;

(iv) *fourth,* in or towards repayment *pro-rata* and *pari passu* of the Class C Notes; and

(v) *fifth,* in or towards repayment *pro-rata* and *pari passu* of the Class D Notes.

Additionally, certain amounts due to the Dollar Currency Swap Provider and the Euro Currency Swap Provider will rank *pari passu* with each class of Notes to which they relate.

(c) Subject to the terms of the Deed of Charge, following the occurrence of a Pro-Rata Trigger Event, Available Principal Receipts will be allocated and applied to repay the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes on a *pro-rata* basis at the then Principal Amount Outstanding. Any *pro-rata* amount allocated to repay the Class A Notes shall be applied firstly towards repayment (on a *pro-rata* and *pari passu* basis) of the Class A1 Notes before the remainder of that amount is applied towards repayment of the Class A2 Notes (on a *pro-rata* and *pari passu* basis).

(d) If the circumstances giving rise to the occurrence of a Pro-Rata Trigger Event cease to exist, then Available Principal Receipts will be applied on the following Interest Payment Date to repay the Notes as described in paragraph (b) above.

7.3 Optional redemption in full

(a) On giving not more than 60 nor less than 30 days' notice to the relevant Noteholders in accordance with **Condition 15** (**Notice to Noteholders**), to the Note Trustee and to the Swap Providers, and provided that:

(i) on or prior to the Interest Payment Date on which such notice expires, no Note Acceleration Notice has been served; and

(ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the relevant class or classes of Notes on the relevant Interest Payment Date and to discharge all other amounts required to be paid by it on the relevant Interest Payment Date; and

(iii) (A) the date of redemption will be the Step-Up Date or any Interest Payment Date falling after the Step-Up Date or (B) on any Interest Payment Date following receipt by the Issuer of a notice from the Administrator under the Administration Agreement that the Administrator intends to exercise its option under the Administration Agreement to repurchase all the Loans and their Related Security from the Issuer on any Interest Payment Date following a date on which the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes will be less than 10 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes on the Closing Date,

the Issuer may redeem on any Interest Payment Date all (but not some only) of the Notes.

(b) Any Note redeemed pursuant to **Condition 7.3(a)** will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to but excluding the date of redemption.

7.4 Optional redemption for taxation or other reasons

If by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on the next Interest Payment Date, the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any class of the Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of Notes of such class) 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 United Kingdom or any political sub-division thereof or any authority thereof or therein, then the Issuer shall, if the same would avoid the effect of such relevant event appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes, provided that the Note Trustee is satisfied that (1) such substitution will not be materially prejudicial to the Noteholders (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on any confirmation from the Rating Agencies that the then current ratings of the Notes would not be adversely affected by such substitution) and (2) the Security Trustee is satisfied that the position of the Secured Creditors will not thereby be adversely affected; and (3) that such substitution would not require registration of any new security under US securities laws or materially increase the disclosure requirements under US law.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the such events described in immediately preceding paragraph above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such a substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice to the Note Trustee, the Swap Providers and Noteholders in accordance with **Condition 15** (**Notice to Noteholders**) redeem all (but not some only) of the Notes on the next following Interest Payment Date at their aggregate Sterling Equivalent Principal Amount Outstanding together with any interest accrued (and unpaid) thereon provided that (in either case), prior to giving any such notice, the Issuer shall have provided to the Note Trustee (1) a certificate signed by two directors of the Issuer stating that the circumstances referred to in the paragraph immediately above prevail and setting out details of such circumstances, and (2) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Note Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on the Noteholders. The Issuer may only redeem the Notes as described above if the Issuer has certified to the Note Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid and any amounts required under the Pre-Enforcement Revenue Priority of Payments currently set out in the Deed of Charge to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the terms and conditions thereof.

7.5 Redemption or purchase following a regulatory event

(a) If:

(i) the Basel Framework (as described in the document titled "*The International Convergence of Capital Measurement and Capital Standards: A Revised Framework*" published in June 2004 by the Basel Committee on Banking Supervision) has been implemented in the United Kingdom, whether by rule of law, recommendation of best practices or by any other regulation (including pursuant to implementation in the United Kingdom of the EU Capital Requirements Directive);

(ii) a Note Acceleration Notice has not been served on or prior to the relevant Interest Payment Date for the exercise of the Purchase Option (as defined below) or Redemption Option (as defined below), as the case may be;

(iii) the Issuer has given not more than 60 days' and not less than 30 days' (or such shorter period as may be required by any relevant law) prior written notice to the Note Trustee, the Swap Providers and the Noteholders in accordance with **Condition 15** (**Notice to Noteholders**), of the exercise of the Purchase Option or Redemption Option, as the case may be;

(iv) each Rating Agency has confirmed to the Issuer in writing that its then current ratings of the Notes would not be adversely affected by the exercise of the Purchase Option or Redemption Option, as the case may be; and

(v) prior to giving any such notice, the Issuer shall have provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that the Issuer will have sufficient funds to purchase or redeem, as the case may be, the Called Notes in accordance with this **Condition 7.5** and to pay any amounts under the Pre-Enforcement Revenue Priority of Payments required to be paid in priority to or *pari passu* with payments on the Notes on the relevant Interest Payment Date,

then:

(vi) the Issuer has the right (the **Purchase Option**), or on the novation of the Issuer's rights and obligations under the Purchase Option, Barclays Bank PLC has the right to require holders of all but not some only of the Class B Notes, the Class C Notes and the Class D Notes (collectively, the **Called Notes**) to transfer the Called Notes to the Issuer (or its novatee) on any Interest Payment Date for a price equal to the Specified Amount, together with any accrued interest on the Called Notes; or

(vii) the Issuer may redeem (the **Redemption Option**), or on the novation of the Issuer's rights and obligations under the Redemption Option, Barclays Bank PLC may redeem the Called Notes on any Interest Payment Date at the Specified Amount, together with any accrued interest on the Called Notes.

(b) The Called Notes transferred to the Issuer pursuant to the Purchase Option shall, subject as provided in paragraph (c) immediately below, remain outstanding until the date on which they would otherwise be redeemed or cancelled in accordance with the Conditions.

(c) The Note Trustee and the Security Trustee shall concur in, execute and do all such deeds, instruments, acts and things, and shall, without the consent of the Noteholders or the other Secured Creditors consent to any amendment, modification or waiver of the provisions of the Transaction Documents to which it is a party and of these Conditions, which may be necessary or desirable to permit and give effect to the exercise of the Purchase Option and the transfer of the Called Notes to the Issuer (or its novatee), including any waiver of covenants of the Issuer and any suspension or termination of the rights of the holders of the Called Notes from (and including) the Interest Payment Date specified for the exercise of the Purchase Option, for as long as the Called Notes have not been transferred to the Issuer, other than the right to receive the price payable for such transfer.

(d) Each holder of Called Notes shall be deemed to have authorised and instructed Euroclear, Clearstream, Luxembourg or DTC, as the case may be, to effect the transfer of its Called Notes on the relevant Interest Payment Date to the Issuer (or its novatee), in accordance with the rules for the time being of Euroclear, Clearstream, Luxembourg or DTC, as the case may be.

(e) **Specified Amount** means in respect of any Called Notes, the Principal Amount Outstanding of the Called Notes.

(f) On the Business Day following the Closing Date:

(i) the Purchase Option and the Redemption Option will be granted to the Issuer by the Note Trustee (as agent for the Noteholders) pursuant to the Purchase/Redemption Option Agreement. Each of the Class B Noteholders, the Class C Noteholders and the Class D Noteholders acknowledges that the Note Trustee has the authority and power to bind the Noteholders in accordance with the terms and conditions of the Purchase/Redemption Option Agreement and each Class B Noteholder, Class C Noteholder or Class D Noteholder (as the case may be), by subscribing for or purchasing the Class B Notes, the Class C Notes or the Class D Notes (as the case may be), agrees to be so bound; and

(ii) the Issuer shall irrevocably assign its rights and novate its obligations under the Purchase/Redemption Option Agreement to Barclays Bank PLC.

Accordingly, following such assignment and novation, Barclays Bank PLC may exercise all rights of the Issuer under the Redemption Option and the Purchase Option and if Barclays Bank PLC exercises the Purchase Option then the holders of the Called Notes will transfer the Called Notes to Barclays Bank PLC.

7.6 Principal Amount Outstanding

The **Principal Amount Outstanding** of the Notes on any date shall be their original principal amount of:

(a) in respect of Class A1a Notes, £100,000,000;

(b) in respect of Class A2a Notes, £500,000,000;

(c) in respect of Class A2d Notes, £600,000,000;

(d) in respect of Class Ba Notes, £32,000,000;

(e) in respect of Class Ca Notes, £17,000,000;

(f) in respect of Class Da Notes, £24,000,000;

(g) in respect of Class A1b Notes, $1,560,000,000;

(h) in respect of Class A2b Notes, $2,440,000,000;

(i) in respect of Class Bb Notes, $4,000,000;

(j) in respect of Class Cb Notes, $16,000,000;

(k) in respect of Class Db Notes, $34,000,000;

(l) in respect of Class A1c Notes, €545,000,000;

(m) in respect of Class A2c Notes, €780,000,000;

(n) in respect of Class Bc Notes, €32,500,000;

(o) in respect of Class Cc Notes, €15,000,000; and

(p) in respect of Class Dc Notes, €16,500,000,

less the aggregate amount of all principal payments in respect of such Notes which have been made since the Closing Date.

In these Conditions **Sterling Equivalent Principal Amount Outstanding** means (a) in relation to a Note or class of Notes which is denominated in a currency other than sterling, the sterling equivalent of the Principal Amount Outstanding of such Note or class of Notes ascertained using the Relevant Exchange Rate relating to such Notes, and (b) in relation to any other Note or class of Notes, the Principal Amount Outstanding of such Note or class of Notes; and **Relevant Exchange Rate** means in relation to a Note or class of Notes the exchange rate specified in the relevant Currency Swap Agreement relating to such Note or class of Notes or, if that Currency Swap Agreement has terminated, the applicable spot rate.

7.7 Notice of redemption

Any such notice as is referred to in **Condition 7.3 (Optional redemption in full), Condition 7.4 (Optional redemption for taxation or other reasons) and Condition 7.5 (Redemption or purchase following a regulatory event)** above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above. Any certificate or legal opinion given by or on behalf of the Issuer pursuant to **Condition 7.3 (Optional redemption in full), Condition 7.4 (Optional Redemption for taxation or other reasons)** or **Condition 7.5 (Redemption or purchase following a regulatory event)** may be relied on by the Note Trustee without further investigation and shall be conclusive and binding on the Noteholders.

7.8 No purchase by the Issuer

The Issuer will not be permitted to purchase any of the Notes, except as provided for in **Condition 7.5 (Redemption or purchase following a regulatory event)**.

7.9 Cancellation

All Notes redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

8. TAXATION

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**), unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, the relevant Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

9. PRESCRIPTION

Claims in respect of principal and interest on the Notes will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this **Condition 9**, the **Relevant Date**, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the moneys payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such moneys having been received, notice to that effect is duly given to the relevant Noteholders in accordance with **Condition 15** (**Notice to Noteholders**).

10. EVENTS OF DEFAULT

10.1 Class A Notes

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Sterling Equivalent Principal Amount Outstanding of any class of the Class A Notes then outstanding or if so directed by an Extraordinary Resolution of any class of the Class A Noteholders shall (subject, in each case, to being indemnified and/or secured to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b) to (f) below, only if the Note Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class A Noteholders) give notice (a **Note Acceleration Notice**) to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed, in any of the following events (each, an **Event of Default**):

(a) if default is made in the payment of any principal or interest due in respect of the Class A Notes or any of them and the default continues for a period of three days in the case of principal or five days in the case of interest; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or

(c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolutions of the Noteholders; or

(d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolutions of the Noteholders, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or

(e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment

of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii), in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within l4 days; or

(f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

10.2 Class B Notes

This **Condition 10.2** shall not apply as long as any Class A Note is outstanding. Subject thereto, for so long as any Class B Note is outstanding, the Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Sterling Equivalent Principal Amount Outstanding of the Class B Notes then outstanding or if so directed by an Extraordinary Resolution of the Class B Noteholders shall (subject, in each case, to being indemnified and/or secured to its satisfaction), (but, in the case of the happening of any of the events referred to in sub-paragraph (b) below, only if the Note Trustee shall have certified in writing to the Issuer that such event is materially prejudicial to the interests of the Class B Noteholders) give a **Note Acceleration Notice** to the Issuer in any of the following events (each, an **Event of Default**):

(a) if default is made in the payment of any principal or interest due in respect of the Class B Notes and the default continues for a period of three days in the case of principal or five days in the case of interest; or

(b) if any of the Events of Default referred to in **Condition 10.1(b)** to **(f)** occurs.

10.3 Class C Notes

This **Condition 10.3** shall not apply as long as any Class A Note or Class B Note is outstanding. Subject thereto, for so long as any Class C Note is outstanding, the Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Sterling Equivalent Principal Amount Outstanding of the Class C Notes then outstanding or if so directed by an Extraordinary Resolution of the Class C Noteholders shall (subject, in each case, to being indemnified and/or secured to its satisfaction), (but, in the case of the happening of any of the events described in sub-paragraph (b) below, only if the Note Trustee shall have certified in writing to the Issuer that such event is materially prejudicial to the interests of the Class C Noteholders) give a **Note Acceleration Notice** to the Issuer in any of the following events (each, an **Event of Default**):

(a) if default is made in the payment of any principal or interest due in respect of the Class C Notes and the default continues for a period of three days in the case of principal or five days in the case of interest; or

(b) if any of the Issuer Events of Default referred to in **Condition 10.1(b)** to **(f)** occurs.

10.4 Class D Notes

This **Condition 10.4** shall not apply as long as any Class A Note, Class B Note or Class C Note is outstanding. Subject thereto, for so long as any Class D Note is outstanding, the Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Sterling Equivalent Principal Amount Outstanding of the Class D Notes then outstanding or if so directed by an Extraordinary Resolution of the Class D Noteholders shall (subject, in each case, to being indemnified and/or secured to its satisfaction), (but, in the case of the happening of any of the events described in sub-paragraph (b) below, only if the Note Trustee shall have certified in writing to the Issuer that such event is materially prejudicial to the interests of the Class D Noteholders) give a **Note Acceleration Notice** to the Issuer in any of the following events (each, an **Event of Default**):

(a) if default is made in the payment of any principal or interest due in respect of the Class D Notes and the default continues for a period of three days in the case of principal or five days in the case of interest; or

(b) if any of the Issuer Events of Default referred to in **Condition 10.1(b)** to **(f)** occurs.

10.5 General

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with **Condition 10.1 (Class A Notes), 10.2 (Class B Notes), 10.3 (Class C Notes) or 10.4 (Class D Notes)**, above, all classes of the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed. The Security constituted by the Deed of Charge will become enforceable upon the occurrence of an Event of Default.

11. ENFORCEMENT

Each of the Note Trustee and the Security Trustee may, at any time after the Notes have become due and payable, at its discretion and without notice, take such proceedings against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes or the Trust Deed (including these Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and at any time after the occurrence of an Event of Default, the Security Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the security constituted by the Deed of Charge, but neither of them shall be bound to take any such proceedings or steps unless:

(a) in the case of the Note Trustee, (subject in all cases to restrictions contained in the Trust Deed to protect the interests of any higher ranking class or classes of Noteholders) it shall have been so directed by an Extraordinary Resolution of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders or the Class D Noteholders or so directed in writing by the holders of at least 25 per cent. in aggregate Sterling Equivalent Principal Amount Outstanding of the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes, or in the case of the Security Trustee, (subject to the restrictions contained in the Deed of Charge to protect the interests of any higher ranking class or classes of Noteholders) it shall have been so directed by an Extraordinary Resolution of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders or the Class D Noteholders or so directed in writing by the holders of at least 25 per cent. in aggregate Sterling Equivalent Principal Amount Outstanding of the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes, or so requested by any other Secured Creditor;

(b) in all cases, it shall have been indemnified and/or secured to its satisfaction.

No Noteholder shall be entitled to proceed directly against the Issuer or any other party to any of the Transaction Documents unless the Note Trustee or, as the case may be, the Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing. In addition, no Class B Noteholder, Class C Noteholder or Class D Noteholder will be entitled to take proceedings for the winding up or administration of the Issuer unless:

- there are no outstanding Notes of a class with higher priority, or
- if Notes of a class with higher priority are outstanding, there is a consent of holders of at least 25 per cent. in aggregate Sterling Equivalent Principal Amount outstanding of the class or classes of Notes with higher priority.

Amounts available for distribution after enforcement of the Security shall be distributed in accordance with the terms of the Deed of Charge.

If, upon the Security having been enforced and realised to the maximum possible extent as certified by the Security Trustee to the Note Trustee after payment of all other claims ranking in priority to the Class B Notes, the Class C Notes and the Class D Notes (as the case may be) under the Deed of Charge, the remaining proceeds of such enforcement are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of the Class B Notes, the Class C Notes and the Class D Notes (as the case may be) and all other claims ranking *pari passu* therewith, then the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders (as the case may be) shall be forthwith

paid their respective shares of such remaining proceeds (as determined in accordance with the provisions of the Deed of Charge). On the date of such payment (the Option Exercise Date), the Registrar will, at the request of the Post-Enforcement Call Option Holder on the Register transfer all (but not some only) of the Class B Notes and/or the Class C Notes and/or the Class D Notes (as the case may be) to the Post-Enforcement Call Option Holder for a nominal amount only pursuant to the option granted to it by the Note Trustee (as agent for the Noteholders) pursuant to the Post-Enforcement Call Option Agreement. Immediately upon such transfer, no such former Class B Noteholder, Class C Noteholder or Class D Noteholder shall have any further interest in the Class B Notes, the Class C Notes or the Class D Notes (as the case may be). Each of the Class B Noteholders, the Class C Noteholders and the Class D Noteholders acknowledges that the Note Trustee has the authority and the power to bind the Noteholders in accordance with the terms and conditions set out in the Post-Enforcement Call Option Agreement and each Class B Noteholder, Class C Noteholder or Class D Noteholder (as the case may be), by subscribing for or purchasing the Class B Notes, the Class C Notes or the Class D Notes (as the case may be), agrees to be so bound.

12. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

12.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each class and, in certain cases, more than one class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.

12.2 An Extraordinary Resolution passed at any meeting of the Class A Noteholders shall be binding on the Class B Noteholders, the Class C Noteholders and the D Noteholders irrespective of the effect upon them, except that an Extraordinary Resolution to sanction a modification of these Conditions or the provisions of any of the Transaction Documents or a waiver or authorisation of any breach or proposed breach thereof or certain other matters specified in the Trust Deed or, as the case may be, the Deed of Charge will not take effect unless the Note Trustee or, as the case may be, the Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the other classes of Noteholders or it shall have been sanctioned by Extraordinary Resolutions of the Class B Noteholders, the Class C Noteholders and the D Noteholders.

12.3 An Extraordinary Resolution (other than an Extraordinary Resolution referred to in **Condition 12.2** immediately above) passed at any meeting of the Class B Noteholders shall not be effective for any purpose unless either the Note Trustee or, as the case may be, the Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders or it is sanctioned by an Extraordinary Resolution of the Class A Noteholders, but subject also to **Condition 12.4** immediately below.

12.4 An Extraordinary Resolution passed at any meeting of the Class B Noteholders shall be binding on the Class C Noteholders and the Class D Noteholders irrespective of the effect upon them, except that an Extraordinary Resolution to sanction a modification of these Conditions or the provisions of any of the Transaction Documents or a waiver or authorisation of any breach or proposed breach thereof or certain other matters specified in the Trust Deed or, as the case may be, the Deed of Charge will not take effect unless the Note Trustee or, as the case may be, the Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class C Noteholders and the Class D Noteholders or it shall have been sanctioned by an Extraordinary Resolution of the Class C Noteholders and the Class D Noteholders.

12.5 An Extraordinary Resolution (other than an Extraordinary Resolution referred to in **Condition 12.2** or **12.4** above) passed at any meeting of the Class C Noteholders shall not be effective for any purpose unless:

(i) either the Note Trustee or, as the case may be, the Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders or it is sanctioned by an Extraordinary Resolution of the Class A Noteholders; and

(ii) either the Note Trustee or, as the case may be, the Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class B Noteholders or it is sanctioned by an Extraordinary Resolution of the Class B Noteholders,

but subject also to **Condition 12.6** immediately below.

12.6 An Extraordinary Resolution passed at any meeting of the Class C Noteholders shall be binding on the Class D Noteholders irrespective of the effect upon them, except that an Extraordinary Resolution to sanction a modification of these Conditions or the provisions of any of the Transaction Documents or a waiver or authorisation of any breach or proposed breach thereof or certain other matters specified in the Trust Deed or, as the case may be, the Deed of Charge will not take effect unless the Note Trustee or, as the case may be, the Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class D Noteholders or it shall have been sanctioned by an Extraordinary Resolution of the Class D Noteholders.

12.7 An Extraordinary Resolution (other than an Extraordinary Resolution referred to in **Condition 12.2**, **12.4** or **12.6** above) passed at any meeting of the Class D Noteholders shall not be effective for any purpose unless:

(i) either the Note Trustee or, as the case may be, the Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders or it is sanctioned by an Extraordinary Resolution of the Class A Noteholders;

(ii) either the Note Trustee or, as the case may be, the Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class B Noteholders or it is sanctioned by an Extraordinary Resolution of the Class B Noteholders; and

(iii) either the Note Trustee or, as the case may be, the Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class C Noteholders or it is sanctioned by an Extraordinary Resolution of the Class C Noteholders,

but subject also to **Condition 12.8** immediately below.

12.8 Subject as provided below, the quorum at any meeting of Noteholders of any class for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of such class of Notes, or, at any adjourned meeting, one or more persons being or representing a Noteholder of the relevant class, whatever the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes of such class held or represented by it or them. The Principal Amount Outstanding of the class of Notes denominated in Dollars shall be converted into Sterling at the relevant Dollar Currency Exchange Rate and the Principal Amount Outstanding of the class of Notes denominated in Euro shall be converted into Sterling at the relevant Euro Currency Exchange Rate.

12.9 The quorum at any meeting of Noteholders of any class for passing an Extraordinary Resolution to sanction a modification of the date of maturity of any Notes or which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of such Notes, altering the currency of payment of such Notes or altering the quorum or majority required in relation to this exception (each, a Basic Terms Modification) shall be one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one-quarter of the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes of such class.

The Trust Deed and the Deed of Charge provide that, except in the case of an Extraordinary Resolution directing the Note Trustee to give a Note Acceleration Notice, as to which the provisions of **Condition 10** (**Events of Default**) shall apply:

(i) a resolution which, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, affects the interests of the holders of one class only of the Class A Notes shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Class A Notes of that class;

(ii) a resolution which, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, affects the interests of the holders of both classes of the Class A Notes but does not give rise to a conflict of interest between the holders of each class of the Class A Notes shall be deemed to have been duly passed if passed at a single meeting of the holders of the Class A Notes of both classes; and

(iii) a resolution which, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, affects the interests of the holders of both classes of the Class A Notes and gives or may give rise to a conflict of interest between the holders of each class of the Class A Notes shall be deemed to have been duly passed only if in lieu of being passed at a single meeting of the holders of the Class A Notes of both classes it shall be duly passed at separate meetings of the holders of each class of the Class A Notes.

The Trust Deed and the Deed of Charge contain similar provisions in relation to directions in writing from Class A Noteholders upon which the Note Trustee or, as the case may be, the Security Trustee is bound to act.

12.10 The Note Trustee or, as the case may be, the Security Trustee, may agree, without the consent of the Noteholders (but in all cases with the written consent of the Interest Rate Swap Providers and the Currency Swap Providers):

(i) to any modification, or to any waiver or authorisation of any breach or proposed breach, of these Conditions or any of the Transaction Documents which, in the opinion of the Note Trustee is not materially prejudicial to the interests of the Noteholders and in the opinion of the Security Trustee, is not materially prejudicial to the interests of the Noteholders and any other Secured Creditor. If the Security Trustee is unable to determine that any such modification, waiver or authorisation is not materially prejudicial to any Secured Creditor (other than the Noteholders), the Security Trustee will not provide its consent to any such modification, waiver or authorisation without having received the prior written consent of any such Secured Creditor to such modification, waiver or authorisation; or

(ii) to any modification which, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, is to correct a manifest error or is of a formal, minor or technical nature.

12.11 The Note Trustee may also, without the consent of the Noteholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders, determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such.

12.12 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with **Condition 15 (Notice to Noteholders)**.

12.13 In connection with any such substitution of principal debtor referred to in **Condition 7.4 (Optional redemption for taxation or other reasons)**, the Note Trustee and the Security Trustee may also agree, without the consent of the Noteholders, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, be materially prejudicial to the interests of the Noteholders.

12.14 The Note Trustee and the Security Trustee shall be entitled to assume for the purpose of exercising or performing any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents, that such exercise or performance will not be materially prejudicial to the interests of the Noteholders or any other Secured Creditor. In determining whether a proposed action will not be materially prejudicial to the Noteholders or the other Secured Creditors, the Security Trustee may, among other things, have regard to whether the Rating Agencies have confirmed to the Issuer that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current rating of the Notes.

12.15 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination or substitution as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Noteholders of any class, it shall have regard to the general interests of the Noteholders of such class as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any

particular territory or any political sub-division thereof and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

13. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security constituted by the Deed of Charge unless indemnified to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

14. REPLACEMENT OF NOTES

If any Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Principal Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Note must be surrendered before a new one will be issued.

15. NOTICE TO NOTEHOLDERS

15.1 Publication of Notice

Any notice to Noteholders shall be validly given if published in:

(i) the *Financial Times*; and

(ii) for so long as amounts are outstanding in respect of the Dollar Notes, the *New York Times*,

or, if any such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom and the United States, provided that if, at any time, the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a **Relevant Screen**), publication in the newspapers set out above or such other newspaper or newspapers shall not be required with respect to such information. Any such notice 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 shall have been made in the newspaper or newspapers in which (or on the Relevant Screen on which) publication is required.

In addition, notices to Noteholders will be sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given on the fourth day after the date of posting.

Whilst the Notes are represented by Global Notes, notices to Noteholders will be valid if published as described above, or, at the option of the Issuer, if delivered to DTC in the case of the Rule 144A Global Notes, or to Euroclear and/or Clearstream, Luxembourg in the case of the Reg S Global Notes, for communication by them to Noteholders. Any notice delivered to DTC, Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.

15.2 Note Trustee's Discretion to Select Alternative Method

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or category of them if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges, competent listing authorities and/or quotation systems on or by which the Notes are then listed, quoted and/or traded and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

16. SUBORDINATION BY DEFERRAL

16.1 Interest

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 16, include any interest previously deferred under this Condition 16.1 and accrued interest thereon) payable in respect of the Class B Notes, the Class C Notes and/or the Class D Notes after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then:

(a) the Issuer shall be entitled (unless there are no Class A Notes then outstanding) to defer to the next Interest Payment Date the payment of interest in respect of the Class B Notes:

(i) if it then defers to the next Interest Payment Date all payments of interest then due (but for the provisions of this **Condition 16**) in respect of the Class C Notes and the Class D Notes; and

(ii) to the extent only of any insufficiency of funds (only after having paid or provided for all amounts specified as having a higher priority in the Pre-Enforcement Revenue Priority of Payments than interest payable in respect of the Class B Notes);

(b) the Issuer shall be entitled (unless there are no Class A Notes and Class B Notes then outstanding) to defer to the next Interest Payment Date the payment of interest in respect of the Class C Notes:

(i) if it then defers to the next Interest Payment Date all payments of interest then due (but for the provisions of this **Condition 16**) in respect of the Class D Notes; and

(ii) to the extent only of any insufficiency of funds (only after having paid or provided for all amounts specified as having a higher priority in the Pre-Enforcement Revenue Priority of Payments than interest payable in respect of the Class C Notes); and

(c) the Issuer shall be entitled (unless there are then no Class A Notes, Class B Notes and Class C Notes outstanding) to defer, to the next Interest Payment Date, the payment of interest in respect of the Class D Notes, only to the extent of any insufficiency of funds after having paid or provided for all amounts specified as having a higher priority in the Pre-Enforcement Revenue Priority of Payments than interest payable in respect of the Class D Notes.

16.2 General

Any amounts of interest in respect of the Class B Notes, the Class C Notes or the Class D Notes otherwise payable under these Conditions which are not paid by virtue of this **Condition 16** shall accrue interest at the same rate and on the same basis as interest in respect of the corresponding class of Notes and together with such accrued interest thereon, shall in any event become payable on the next Interest Payment Date (unless and to the extent that **Condition 16.1** applies) or on such earlier date as the Class B Notes, the Class C Notes or the Class D Notes, as the case may be, become due and repayable in full in accordance with these Conditions.

16.3 Notification

As soon as practicable after becoming aware that any part of a payment of interest on the Class B Notes, the Class C Notes or the Class D Notes, as the case may be, will be deferred or that a payment previously deferred will be made in accordance with this **Condition 16**, the Issuer will give notice thereof to the Class B Noteholders, the Class C Noteholders or the Class D Noteholders, as the case may be, in accordance with **Condition 15** (**Notice to Noteholders**) Any deferral of interest in accordance with this **Condition 16** will not constitute an Event of Default. The provisions of this **Condition 16** shall cease to apply on the Final Maturity Date, at which time all deferred interest and accrued interest thereon shall become due and payable.

17. RATING AGENCIES

If:

(a) a confirmation of rating or other response by a Rating Agency is a condition to any action or step under any Transaction Document; and

(b) a written request for such confirmation or response is delivered to each Rating Agency, along with such other information that any Rating Agency may reasonably request, by the Issuer (copied to the Note Trustee and/or the Security Trustee, as applicable) and either one or more Rating Agency (each a **Non-Responsive Rating Agency**) indicates that it does not consider such confirmation or response necessary in the circumstances or within 90 days of delivery of such request elicits no confirmation or response and/or such request elicits no statement by such Rating Agency that such confirmation or response could not be given; and

(c) at least one Rating Agency gives such a confirmation or response based on the same facts,

then such condition shall be deemed to be modified with respect to the facts set out in the request referred to in paragraph (b) above so that there shall be no requirement for the confirmation or response from the Non-Responsive Rating Agency.

The Note Trustee and/or the Security Trustee, as applicable, shall be entitled to treat as conclusive a certificate by any director, officer or employee of the Issuer, the Seller, any investment bank or financial adviser acting in relation to the Notes as to any matter referred to in paragraph (b) above in the absence of manifest error or the Note Trustee and/or the Security Trustee, as applicable, having facts contradicting such certificates specifically drawn to his attention and the Note Trustee and/or the Security Trustee, as applicable, shall not be responsible for any loss, liability, costs, damages, expenses or inconvenience that may be caused as a result.

18. GOVERNING LAW

The Trust Deed, the Deed of Charge, the Notes and these Conditions are governed by, and shall be construed in accordance with, English law.

19. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. DEFINITIONS

Unless otherwise defined in these Conditions or unless the context otherwise requires, in these Conditions the following words shall have the following meanings and any other capitalised terms used in these Conditions shall have the meanings ascribed to them in the Master Definitions and Construction Schedule:

Agency Agreement has the meaning given to it in the preamble to these Conditions;

Available Principal Receipts means for any Interest Payment Date:

(a) all Principal Receipts received by the Issuer during the immediately preceding Calculation Period;

(b) if established, all amounts standing to the credit of the Liquidity Reserve Fund (as recorded on the Liquidity Reserve Ledger) on the immediately preceding Calculation Date; and

(c) the amounts (if any) to be credited to the Principal Deficiency Ledger or the Liquidity Reserve Ledger pursuant to items (e), (g), (i), (k) and (l) in the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;

less

(d) the amount of Principal Receipts (if any) or amounts standing to the credit of the Liquidity Reserve Fund to be applied to cover Income Deficits on such Interest Payment Date;

Class A Notes means the Class A1 Notes and Class A2 Notes;

Class A1 Notes means the Class A1a Notes, the Class A1b Notes and the Class A1c Notes;

Class A1a Notes means the £100,000,000 class A1a asset backed floating rate Notes due 2015;

Class A1b Notes means the $1,560,000,000 class A1b asset backed floating rate Notes due 2015;

Class A1c Notes means the €545,000,000 class A1c asset backed floating rate Notes due 2015;

Class A2 Notes means the Class A2a Notes, the Class A2b Notes, the Class A2c Notes and the Class A2d Notes;

Class A2a Notes means the £500,000,000 class A2a asset backed floating rate Notes due 2041;

Class A2b Notes means the $2,440,000,000 class A2b asset backed floating rate Notes due 2041;

Class A2c Notes means the €780,000,000 class A2c asset backed floating rate Notes due 2041;

Class A2d Notes means the £600,000,000 Class A2d asset backed floating rate Notes due 2041;

Class B Notes means the Class Ba Notes, the Class Bb Notes and the Class Bc Notes;

Class Ba Notes means the £32,000,000 class Ba asset backed floating rate Notes due 2041;

Class Bb Notes means the $4,000,000 class Bb asset backed floating rate Notes due 2041;

Class Bc Notes means the €32,500,000 class Bc asset backed floating rate Notes due 2041;

Class C Notes means the Class Ca Notes, the Class Cb Notes and the Class Cc Notes;

Class Ca Notes means the £17,000,000 class Ca asset backed floating rate Notes due 2041;

Class Cb Notes means the $16,000,000 class Cb asset backed floating rate Notes due 2041;

Class Cc Notes means the €15,000,000 class Cc asset backed floating rate Notes due 2041;

Class D Notes means the Class Da Notes, the Class Db Notes and the Class Dc Notes;

Class Da Notes means the £24,000,000 class Da asset backed floating rate Notes due 2041;

Class Db Notes means the $34,000,000 class Db asset backed floating rate Notes due 2041;

Class Dc Notes means the €16,500,000 class Dc asset backed floating rate Notes due 2041;

Dollar Notes means the Class A1b Notes, the Class A2b Notes, the Class Bb Notes, the Class Cb Notes and the Class Db Notes;

Dollar Currency Exchange Rate means the rate at which Dollars are converted to Sterling or, as the case may be, sterling is converted to Dollars under the relevant Dollar Currency Swap or, if there is no relevant Dollar Currency Swap in effect at such time, the ''spot'' rate at which Dollars are converted to Sterling or, as the case may be, Sterling is converted to Dollars on the foreign exchange markets;

Dollar Currency Swap Agreements means collectively the ISDA master agreements, schedules and confirmations (as amended or supplemented from time to time) relating to the Dollar Currency Swaps to be entered into on or before the Closing Date between the Issuer, the Dollar Currency Swap Provider and the Security Trustee;

Dollar Currency Swap Provider means Barclays Bank PLC in its capacity as dollar currency swap provider under the Dollar Currency Swap Agreements;

Dollar Currency Swaps means the Sterling-Dollar currency swaps which enable the Issuer to receive and pay amounts under the Dollar Notes;

Euro Currency Exchange Rate means the rate at which euro are converted to Sterling or, as the case may be, Sterling is converted to euro under the relevant Euro Currency Swap or, if there is no relevant Euro Currency Swap in effect at such time, the ''spot'' rate at which euro are converted to Sterling or, as the case may be, Sterling is converted to euro on the foreign exchange markets;

Euro Currency Swap Agreements means the ISDA master agreements, schedules and confirmations (as amended or supplemented from time to time) relating to the Euro Currency Swaps to be entered into on the Closing Date between the Issuer, the Euro Currency Swap Provider and the Security Trustee;

Euro Currency Swap Provider means Barclays Bank PLC in its capacity as euro currency swap provider under the Euro Currency Swap Agreements;

Euro Currency Swaps means the Sterling-Euro currency swaps which enable the Issuer to receive and pay amounts under the Euro Notes;

Euro Notes means the Class A1c Notes, the Class A2c Notes, the Class Bc Notes, the Class Cc Notes and the Class Dc Notes;

Final Maturity Date means in respect of each class of Notes, the Interest Payment Date falling in the following months:

Class	*Interest Payment Date falling in*
Class A1a Notes	October 2015
Class A1b Notes	October 2015
Class A1c Notes	October 2015
Class A2a Notes	October 2041
Class A2b Notes	October 2041
Class A2c Notes	October 2041
Class A2d Notes	October 2041
Class Ba Notes	October 2041
Class Bb Notes	October 2041
Class Bc Notes	October 2041
Class Ca Notes	October 2041
Class Cb Notes	October 2041
Class Cc Notes	October 2041
Class Da Notes	October 2041
Class Db Notes	October 2041
Class Dc Notes	October 2041

Interest Rate Swap Agreement means the ISDA master agreement, schedule and confirmations (as amended or supplemented from time to time) relating to the Interest Rate Swaps to be entered into on or before the Closing Date between the Issuer, the Interest Rate Swap Provider and the Security Trustee.

Interest Rate Swaps means the interest rate swaps which enable the Issuer to hedge the possible variance between the interest rates payable on the Loans in the Portfolio and Three-Month Sterling LIBOR.

Interest Rate Swap Provider means Barclays Bank PLC in its capacity as interest rate swap provider under the Interest Rate Swap Agreement.

Noteholders means the holders for the time being of the Notes, or if preceded by a particular class designation of Notes, the holders for the time being of such class of Notes;

Notes means the Dollar Notes, the Euro Notes and the Sterling Notes;

Paying Agents means the Principal Paying Agent, the US Paying Agent and any further or other paying agents for the time being appointed under the Agency Agreement;

Principal Paying Agent has the meaning given to it in the preamble to these Conditions;

A **Pro-Rata Trigger Event** occurs if on the Interest Payment Date falling in January 2011 or on any Interest Payment Date thereafter, X is greater than or equal to two times Y where:

X = the Sterling Equivalent Principal Amount Outstanding (as defined below) of the Class A Notes as at the Issue Date divided by the aggregate Sterling Equivalent Principal Amount Outstanding of the Class B Notes, the Class C Notes and the Class D Notes as at the Issue Date; and

Y = the Sterling Equivalent Principal Amount Outstanding of the Class A Notes as at any Calculation Date divided by the aggregate Sterling Equivalent Principal Amount Outstanding of the Class B Notes, the Class C Notes and the Class D Notes as at such Calculation Date,

provided that none of the following events has occurred and is subsisting:

(a) the total principal balance of all amounts outstanding of all Loans in the Portfolio which are 90 days or more in arrears exceeds 3 per cent. of the total principal balance of all the Loans in the Portfolio; or

(b) an amount has been drawn on the Reserve Funds which has not been replenished.

Rating Agencies means Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies Inc., Moody's Investors Service Limited and Fitch Ratings Ltd;

Reg S Notes means the Notes initially offered and sold outside the United States to non-US persons pursuant to Regulation S under the Securities Act;

Rule 144A Notes means Notes initially offered and sold within the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act;

Start-up Loan means the start-up loan that the Start-up Loan Provider has made available to the Issuer pursuant to the Start-up Loan Agreement;

Start-up Loan Agreement means the agreement entered into on the Closing Date between the Issuer, the Start-up Loan Provider and the Security Trustee relating to the provision of the Start-up Loan to the Issuer (as the same may be amended and/or supplemented from time to time);

Start-up Loan Provider means Barclays Bank PLC in its capacity as provider of the Start-up Loan;

Sterling Notes means the Class A1a Notes, the Class A2a Notes, the Class A2d Notes, the Class Ba Notes, the Class Ca Notes and the Class Da Notes;

Subscription Agreement means a subscription agreement in relation to the Notes between, *inter alios*, the Issuer and the Managers (as defined therein);

Swap Agreements means the Dollar Currency Swap Agreements, the Euro Currency Swap Agreements and the Interest Rate Swap Agreement;

Swap Provider means the swap counterparty under the Dollar Currency Swap Agreements, the Euro Currency Swap Agreements and the Interest Rate Swap Agreement;

Transaction Documents means the Administration Agreement, the Agency Agreement, the Bank Account Agreement, the Cash Management Agreement, the Corporate Services Agreements, the Currency Swap Agreements, the Deed of Charge, the Deed of Novation, the Interest Rate Swap Agreement, the Issuer Share Trust Deed, the Issuer Nominee Declaration of Trust, the Master Definitions and Construction Schedule, the Mortgage Sale Agreement, the PECOH Holding Share Trust Deed, the PECOH Nominee Declaration of Trust, the Post- Enforcement Call Option Agreement, the Purchase/Redemption Option Agreement, the Security Trustee Power of Attorney, the Seller Collection Account Declaration of Trust, the Seller Power of Attorney, the Share Capital Loan Agreements the Start-up Loan Agreement, the Subscription Agreement, the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes; and

US Paying Agent has the meaning given to it in the preamble to these Conditions.

USE OF PROCEEDS

The Issuer will use an amount equal to the gross proceeds of the Notes towards payment of the Initial Consideration payable by the Issuer for the Initial Portfolio to be acquired from the Seller on the Issue Date.

FEES

The following table sets out the on-going fees to be paid by the Issuer to the transaction parties.

Type of fee	**Amount of fee**	**Priority in cashflow**	**Frequency**
Administration fee	0.10 per cent. each year inclusive of VAT on the aggregate Principal Amount Outstanding of the Notes at the Issue Date	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Cash Management fee	£100,000 each year inclusive of VAT	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Other fees and expenses of the Issuer	estimated at £17,000 each year exclusive of VAT	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date

VAT is currently chargeable at 17.5 per cent.

EXPENSE OF THE ADMISSION TO TRADING

The total expenses to be paid by the Issuer in relation to the admission to trading will be up to £4,100 exclusive of VAT.

RATINGS

The Notes are expected, on issue, to be assigned the following ratings by Moody's, Fitch and Standard & Poor's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgment, circumstances (including, without limitation, a reduction in the credit rating of the Swap Provider and/or the GIC Provider in the future) so warrant.

Class of Notes	Moody's	Fitch	Standard & Poor's
Class A Notes	Aaa	AAA	AAA
Class B Notes	Aa2	AA	AA
Class C Notes	A1	A	A
Class D Notes	Baa2	BBB	BBB

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales on 11 October 2005 (registered number 5589309) as a public limited company under the Companies Act 1985 (as amended). The registered office of the Issuer is c/o 1 Churchill Place, London E14 5HP. The telephone number of the Issuer's registered office is +44 20 7 116 1000. The authorised share capital of the Issuer comprises 50,000 ordinary shares of £1 each. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, 50,000 all of which are partly paid to £0.25 each and beneficially owned by Holdings (see *Holdings,* below).

The Issuer has no subsidiaries. The Seller does not own directly or indirectly any of the share capital of Holdings or the Issuer.

The principal objects of the Issuer are set out in clause 4 of its Memorandum of Association and are to, *inter alia*, carry on business as a general commercial company. The Issuer was established to issue the Notes and the Residual Certificates.

The Issuer has not engaged, since its incorporation, in any material activities other than those incidental to its registration as a public company under the Companies Act 1985 and to the proposed issues of the Notes and Residual Certificates and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. The Issuer has made a notification under the Data Protection Act 1998 and has obtained a consumer credit licence under the CCA. As at 14 December 2005, no statutory accounts have been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2006.

There is no intention to accumulate surpluses in the Issuer except in the circumstances set out in *Summary of the Transaction Documents – Deed of Charge,* above.

Directors

The directors of the Issuer and their respective business addresses and occupations are:

Name	Business Address	Business Occupation
SFM Directors Limited	35 Great St. Helen's London EC3A 6AP	Director of special purpose companies
SFM Directors (No. 2) Limited	35 Great St. Helen's London EC3A 6AP	Director of special purpose companies
Thomas Francis Wood	1 Churchill Place London E14 5HP	Accountant

The directors of both of SFM Directors Limited and SFM Directors (No. 2) Limited and their respective occupations are:

Name	Business Occupation
Jonathan Eden Keighley	Company Administrator
James Garner Smith Macdonald	Company Administrator
Robert William Berry	Banker

The company secretary of the Issuer is Barcosec Limited whose registered office is at 1 Churchill Place, London E14 5HP.

The activities of the Issuer will be restricted by the Conditions and will be limited to the issues of the Notes, the exercise of related rights and powers, and other activities referred to herein or reasonably incidental thereto.

The Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at 14 December 2005.

There has been no material change in the capitalisation, indebtedness or contingent liabilities or guarantees since 11 October 2005.

Capitalisation statement

The following table shows the capitalisation of the Issuer as at 14 December 2005:

	As at 14 December 2005 £
Authorised share capital	
Ordinary shares of £1 each	50,000.00
Issued share capital	
50,000 ordinary shares each one quarter paid	12,500.00

HOLDINGS

Introduction

Holdings was incorporated in England and Wales on 11 October 2005 (registered number 5589389) as a private limited company under the Companies Act 1985 (as amended). The registered office of Holdings is c/o 1 Churchill Place, London E14 5HP. The authorised share capital of Holdings comprises 100 ordinary shares of £1 each. The issued share capital of Holdings comprises 1 ordinary share of £1. SFM Corporate Services Limited (the **Share Trustee**) holds the entire beneficial interest in the issued share under a discretionary trust for charitable purposes.

The principal objects of Holdings are set out in clause 3 of its Memorandum of Association and are, *inter alia*, to carry on business as a general commercial company.

Holdings has not engaged since its incorporation in any material activities other than those activities incidental to the authorisation and implementation of the Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing.

Directors

The directors of Holdings and their respective business addresses and occupations are:

Name	Business Address	Business Occupation
SFM Directors Limited	35 Great St. Helen's London EC3A 6AP	Director of special purpose companies
SFM Directors (No 2) Limited	35 Great St. Helen's London EC3A 6AP	Director of special purpose companies
Thomas Francis Wood	1 Churchill Place London E14 5HP	Accountant

The directors of both of SFM Directors Limited and SFM Directors (No. 2) Limited and their respective occupations are:

Name	Business Occupation
Jonathan Eden Keighley	Company Administrator
James Garner Smith Macdonald	Company Administrator
Robert William Berry	Banker

The company secretary of Holdings is Barcosec Limited whose registered office is at 1 Churchill Place, London E14 5HP.

The accounting reference date of Holdings is 31 December.

Holdings has no employees.

THE POST-ENFORCEMENT CALL OPTION HOLDER

Introduction

The Post-Enforcement Call Option Holder was incorporated in England and Wales on 11 October 2005 (registered number 5589264) as a public limited company under the Companies Act 1985 (as amended). The registered office of the Post-Enforcement Call Option Holder is c/o 1 Churchill Place, London E14 5HP.

The authorised share capital of the Post-Enforcement Call Option Holder comprises 50,000 ordinary shares of £1 each. The issued share capital of the Post-Enforcement Call Option Holder comprises 50,000 ordinary shares of £1 each, all of which are beneficially owned by PECOH Holdings. The Post-Enforcement Call Option Holder has no subsidiaries. The Seller does not own directly or indirectly any of the share capital of PECOH Holdings or the Post-Enforcement Call Option Holder. The principal objects of the Post-Enforcement Call Option Holder are set out in clause 3 of its Memorandum of Association and are, *inter alia*, to carry on business as a general commercial company. The Post-Enforcement Call Option Holder has not engaged since its incorporation in any material activities other than those activities incidental to the authorising and implementation of the Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing.

Directors

The directors of the Post-Enforcement Call Option Holder and their respective business addresses and occupations are:

Name	Business Address	Business Occupation
SFM Directors Limited	35 Great St. Helen's London EC3A 6AP	Director of special purpose companies
SFM Directors (No 2) Limited	35 Great St. Helen's London EC3A 6AP	Director of special purpose companies
Thomas Francis Wood	1 Churchill Place London E14 5HP	Accountant

The company secretary of the Post-Enforcement Call Option Holder is Barcosec Limited whose registered office is at 1 Churchill Place, London E14 5HP.

The accounting reference date of the Post-Enforcement Call Option Holder is 31 December.

The Post-Enforcement Call Option Holder has no employees.

PECOH HOLDINGS

Introduction

PECOH Holdings was incorporated in England and Wales on 11 October 2005 (registered number 5589379) as a private limited company under the Companies Act 1985 (as amended). The registered office of PECOH Holdings is c/o 1 Churchill Place, London E14 5HP. The authorised share capital of PECOH Holdings comprises 100 ordinary shares of £1 each. The issued share capital of PECOH Holdings comprises one ordinary share of £1. SFM Corporate Services Limited (the **Share Trustee**) holds the entire beneficial interest in the issued share under a discretionary trust for charitable purposes.

PECOH Holdings is organised as a special purpose company. The Seller does not own directly or indirectly any of the share capital of PECOH Holdings.

The principal objects of PECOH Holdings are set out in clause 3 of its Memorandum of Association and are, *inter alia*, to carry on the business of a general commercial company.

PECOH Holdings has not engaged since its incorporation in any material activities other than those activities incidental to the authorisation and implementation of the Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing.

Directors

The directors of PECOH Holdings and their respective business addresses and occupations are:

Name	Business Address	Business Occupation
SFM Directors Limited	35 Great St. Helen's London EC3A 6AP	Director of special purpose companies
SFM Directors (No 2) Limited	35 Great St. Helen's London EC3A 6AP	Director of special purpose companies
Thomas Francis Wood	1 Churchill Place London E14 5HP	Accountant

The company secretary of PECOH Holdings is Barcosec Limited whose registered office is at 1 Churchill Place, London E14 5HP.

The accounting reference date of PECOH Holdings is 31 December.

PECOH Holdings has no employees.

BARCLAYS BANK PLC

General

Barclays Bank PLC will perform the following roles in connection with the issuance of the Notes:

- Seller;
- Administrator;
- Cash Manager;
- Interest Rate Swap Provider;
- Currency Swap Provider;
- Start-Up Loan Provider;
- Account Bank; and
- Lead Manager and Sole Bookrunner.

Business

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London E14 5HP. Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank PLC was re-registered as a public limited company and its name was changed from ''Barclays Bank International Limited'' to ''Barclays Bank PLC''.

Barclays Bank PLC and its subsidiary undertakings (taken together, the **Barclays Group**) is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The Barclays Group also operates in many other countries around the world. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Barclays Group and one of the largest financial services companies in the world by market capitalisation.

The short-term unsecured obligations of Barclays Bank PLC are rated A-1+ by Standard & Poor's, P-1 by Moody's and F1+ by Fitch and the long-term obligations of Barclays Bank PLC are rated AA by Standard & Poor's, Aa1 by Moody's and AA+ by Fitch.

From 2005, the Barclays Group will prepare financial statements on the basis of IFRS. Based on the unaudited interim financial information as at and for the period ended 30 June 2005, prepared in accordance with IFRS, the Barclays Group had total assets of £850,388 million, total net loans and advances of £272,348 million, total deposits of £302,253 million and total shareholders' equity of £22,050 million (including minority interests of £200 million). The profit before tax of the Barclays Group of the period ended 30 June was £2,690 million after charging an impairment loss on loans and advances and other credit risk provisions of £706 million.

The Barclays Group's audited financial statements for the year ended 31 December 2004 were prepared in accordance with UK Generally Accepted Accounting Principles (**UK GAAP**). On this basis, as at 31 December 2004, the Barclays Group had total assets of £522,253 million, total net loans and advances of £330,077 million, total deposits of £328,742 million and shareholders' funds of £18,271 million (including £690 million of non-equity funds). The profit before tax under UK GAAP for the year ended 31 December 2004 was £4,612 million after charging net provisions for bad and doubtful debts of £1,091 million.

The annual report on Form 20-F for the year ended 31 December 2004 of Barclays PLC and Barclays Bank PLC is on file with the Securities and Exchange Commission, and the Securities and Exchange Commission has been furnished with the interim report on Form 6-K for the semi-annual period ended 30 June 2005 of Barclays PLC and Barclays Bank PLC. Barclays Bank PLC will provide, without charge to each person to whom this prospectus is delivered, on the request of that person, a copy of the Form 20-F and Form 6-K referred to in the previous sentence. Written requests should be directed to: Barclays Bank PLC, 1 Churchill Place, London E14 5HP, England, for the attention of Barclays Corporate Secretariat.

None of the Notes will be obligations of Barclays Bank PLC or any of its affiliates.

THE NOTE TRUSTEE/SECURITY TRUSTEE

The Bank of New York, London branch will be appointed pursuant to the Trust Deed as Note Trustee for the Noteholders. It will also be appointed pursuant to the Deed of Charge as Security Trustee for the Secured Creditors.

The Bank of New York, London branch's principal place of business is at 1 Canada Square, London E14 5HL.

The Bank of New York will not be responsible for (a) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and the The Bank of New York will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties thereunder or (b) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents. The Bank of New York will not be liable to any Noteholder or other Secured Creditor for any failure to make or to cause to be made on its behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Charged Property and has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

THE CORPORATE SERVICES PROVIDER

Structured Finance Management Limited (registered number 3853947), having a place of business at 35 Great St. Helen's, London EC3A 6AP will be appointed to provide corporate services to the Issuer and Holdings pursuant to the Issuer Corporate Services Agreement and to provide corporate services to the Post-Enforcement Call Option Holder and PECOH Holdings pursuant to the PECOH Corporate Services Agreement.

The Corporate Services Provider will be entitled to terminate its appointment under each of the Corporate Services Agreements on 90 days' written notice to the Issuer or the Post-Enforcement Call Option Holder, respectively, the Security Trustee and each other party to the relevant Corporate Services Agreement, provided that a substitute corporate services provider has been appointed on substantially the same terms as those set out in the relevant Corporate Services Agreement.

The Security Trustee can terminate the appointment of the Corporate Services Provider on 30 days' written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the relevant Corporate Services Agreement.

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Security Trustee, if the Corporate Services Provider breaches its obligations under the terms of the Issuer Corporate Services Agreement or the PECOH Corporate Services Agreement and/or certain insolvency related events occur in relation to the Corporate Services Provider.

THE LOANS

Introduction

The housing market in the UK primarily consists of owner-occupied housing. The remainder of dwellings are in some form of public, private landlord or social ownership. The mortgage market, in which mortgage loans are provided for the purchase of a property and secured on that property, is the primary source of household borrowings in the UK.

The following is a description of some of the characteristics of the mortgage loans currently or previously offered by the Seller and includes details of mortgage loan types, the underwriting process, Lending Criteria and selected statistical information. Each Loan in the Portfolio incorporated one or more of the features referred to in this section. The Seller will not assign to the Issuer any mortgage loan that was more than six months in arrears at any time during the 12 months prior to the Issue Date, and will not assign to the Issuer any mortgage loan that is a non-performing mortgage loan.

Each borrower may have more than one mortgage loan incorporating different features, but all mortgage loans secured on the same mortgaged property will be incorporated in a single account with the Seller which is called the **Mortgage Account**. Each Loan is secured by a Mortgage. Each Loan secured over a property located in England and Wales is subject to the laws of England and Wales.

Characteristics of the Loans

Mortgage loan products

The Seller offers a variety of traditional and flexible loan products to borrowers. The Portfolio will comprise solely of traditional loan products from Barclays Traditional Mortgage Book, which include fixed rate, variable rate, tracker rate and discounted rate mortgages. The Seller will assign to the Issuer any of the following of its mortgage loan products, which in each case may comprise one or more of the following:

- **Fixed Rate Loans**: mortgage loans subject to a fixed interest rate for a specified period of time and which at the expiration of that period generally convert to Variable Rate Loans. An early repayment charge may be payable in respect of these mortgage loans for a set period of time, which generally corresponds with the term of the fixed interest rate.
- **Variable Rate Loans**: mortgage loans subject to the Barclays Bank PLC's Standard Variable Rate (**Barclays Standard Variable Rate**) for the life of the mortgage loan. Barclays Standard Variable Rate is set by Barclays Bank PLC by reference to the general level of interest rates and competitive rates in the UK mortgage market.
- **Discounted Rate Loans**: mortgage loans which allow the borrower for a set period of time to pay interest at a specified discount to the Barclays Standard Variable Rate. An early repayment charge may be payable in respect of these mortgage loans for a set period of time, which generally corresponds with the term of the discounted interest rate.
- **Tracker Rate Loans**: mortgage loans subject to a variable rate of interest that is linked to the Barclays Bank PLC's Base Rate (the **Barclays Base Rate**) plus an additional fixed percentage (the **Tracker Rate**).

Scotlife Home Loans (No.3) Limited, a wholly-owned subsidiary of Barclays Bank PLC, originated a number of Fixed Rate Loans, Variable Rate Loans and Discounted Rate Loans in the Portfolio. These Loans were originated and underwritten in accordance with the Seller's Lending Criteria applicable at the time the Loan was offered.

Repayment terms

Borrowers typically make payments of interest on, and repay principal of, their mortgage loans using one of the following methods:

- **Repayment Loans**: the borrower makes monthly payments of both interest and principal so that, when the mortgage loan matures, the borrower will have repaid the full amount of the principal of the mortgage loan.
- **Interest Only Loans (with a standard repayment vehicle plan)**: the borrower makes monthly payments of interest but not of principal; when the mortgage loan matures, the entire principal

amount of the mortgage loan is still outstanding and the borrower must repay that amount in one lump sum. The borrower may be required to arrange a separate investment plan which will be administered by an organisation separate from the Seller, which plan provides for a lump sum payment to coincide with the end of the mortgage term. Although these investment plans were forecast to provide sufficient sums to repay the principal balance of the mortgage loan upon its maturity, to the extent that the lump sum payment is insufficient to pay the principal amount owing, the borrower will be liable to make up any shortfall. These types of **Standard Repayment Vehicle Plans** include:

- **Endowment**: the borrower makes regular payments to a life assurance company which invests the premiums; the endowment policy is intended to repay the mortgage loan at maturity;
- **Pension Policy**: the borrower makes regular payments to a personal pension plan; upon retirement, or plan maturity, the borrower will receive a tax-free lump sum which is intended to repay the mortgage loan;
- **Individual Savings Accounts** or **ISAs**: the borrower makes contributions to a tax-free ISA account; once the value of the ISA equals or exceeds the outstanding mortgage debt, the borrower may use those amounts to repay the mortgage loan at any time thereafter or may wait to repay the mortgage loan upon its maturity;
- **Personal Equity Plans** or **PEPs**: similar to ISAs, the borrower made contributions to a tax-free PEP account and uses these amounts to repay the mortgage loan. Although PEPs have been discontinued in the United Kingdom, some Loans with PEP repayment vehicles may be included in the Portfolio; and
- **Unit Trusts**: the borrower makes regular payments to the trustees of a unit trust, and the accumulated unit trust is used to repay the mortgage loan by the end of its term.

- **Interest-Only Loans (without a Standard Repayment Vehicle Plan)**: where the borrower makes monthly payments of interest but not of principal and when the mortgage loan matures, the entire principal amount of the mortgage loan is due. However, the borrower has no formal repayment vehicle in place to repay the mortgage loan in full.
- **Combination of Repayment and Interest-Only Loans (Combination Loans)**: this situation most often occurs when the borrower had an interest only mortgage loan with a repayment vehicle on a prior mortgaged property, and after selling that mortgaged property the borrower purchased a property with a mortgage loan issued by the Seller, where the subsequent home was either more expensive than the prior home or the borrower took out a larger mortgage loan or further advance. The borrower used the existing Standard Repayment Vehicle Plan for the new mortgage loan or further advance issued by the Seller and made up the difference between the anticipated maturity value of the Standard Repayment Vehicle Plan and the higher mortgage loan amount with a repayment mortgage.

During the life of a Mortgage, a Borrower may with the consent of the Seller change the type of the Borrower's Loan from the repayment type to the interest-only type or vice versa. If a Borrower wishes to do so, the Borrower should make a written request to the Seller and the Seller will give the Borrower written notice if it agrees to make such change.

The required monthly payment in connection with any Repayment Loans or Interest-Only Loans which are not Fixed Rate Loans may vary from month to month for various reasons, including changes in interest rates. See – *Maximum LTV ratio* for the maximum LTV ratio for the mortgage loans described above.

The Seller does not (and in some cases cannot) take security over investment plans. See *Risk factors – Interest-Only Loans*.

Partial Redemptions

If a Borrower makes a lump sum reduction on a mortgage loan of £1,000 or more (£500 or more for Tracker Rate Loans) (a **Partial Redemption**) the balance on which interest is charged will be reduced with effect from the following day. If a Borrower makes a lump sum reduction of less than these figures, the balance on which interest is charged will be reduced from the 1st of the following month. Partial Redemptions may be subject to early repayment charges, as described under – *Early repayment charges*. Any Partial Redemption will be held by the Cash Manager in the GIC Account and recorded on the Principal Ledger and will reduce the balance of the Loan on the day on which the balance on which interest is charged under the Loan is changed.

If a Borrower under a Loan makes a monthly payment which is less than the required monthly payment (an **Unauthorised Underpayment**), those Unauthorized Underpayments are treated by the Seller as arrears. If a Borrower pays more than the required monthly payment, this will be credited to the relevant account when it is received and in the first instance set off against any existing arrears on the Loan.

Early repayment charges

If the Borrower wishes to repay the whole or any part of an advance before the time agreed, the Borrower may do so. In the case of repayment in full, the Borrower must pay to the Seller all sums owing to it in respect of such advance by way of principal, interest and costs (including, if the offer so provides, an early repayment charge) together with the Seller's expenses reasonably and properly incurred in connection with such repayment.

Any early repayment charge will be calculated on the basis provided under the relevant offer of advance in relation to a Loan. The Seller retains absolute discretion to waive or enforce early repayment charges in accordance with the Seller's policy from time to time. Under the terms of the Mortgage Sale Agreement, the amount of any early repayment charges which may become payable on any Loans that have been assigned to the Issuer will be paid by the Issuer to the Seller as Deferred Consideration.

Interest payments and setting of interest rates

Interest on each mortgage loan accrues on the capital balance of that mortgage loan from time to time. Interest is payable by the Borrower monthly in arrears. Interest on the Loans in the Portfolio may be computed on a daily basis. Each Loan in the Portfolio accrues interest at any time at a fixed or a variable rate.

Fixed Rate Loans provide that the Borrower pays interest on such Loan at a fixed rate of interest for the period specified in the offer of advance. At the end of that period, the interest rate reverts to the Barclays Standard Variable Rate.

The rate of interest set by the Seller for variable rate loans is the Barclays Standard Variable Rate. Interest accrues on these Loans at a rate equal to the Barclays Standard Variable Rate. The Barclays Standard Variable Rate for existing and/or new borrowers, as at the Issue Date, is 6.59 per cent.

The actual gross interest rate that the Seller charges for some Variable Rate Loans, Discounted Rate Loans, Tracker Rate Loans and for Fixed Rate Loans upon conversion from a fixed rate to the Barclays Standard Variable Rate could be changed for any of the following reasons:

- to reflect market conditions;
- to reflect changes in the Seller's overall costs of providing the loan;
- to reflect changes in the law or regulatory requirements;
- to reflect prudent management of the Seller's business; and
- for any other valid reason.

Loans may combine one or more of the features listed in this section. For Loans with an interest rate that lasts for a limited period of time specified in the offer of advance, after the expiration of that period the interest rate adjusts to some other interest rate type or else it reverts to, or remains at, the Barclays Standard Variable Rate or, in relation to some Loans, the Tracker Rate. The features that may apply to a particular Loan are specified in the offer of advance (and as the Seller may vary from time to time).

Except in limited circumstances as set out in *Summary of the Key Transaction Documents – The Administration Agreement – Undertakings by the Administrator*, the Administrator on behalf of the Issuer is responsible for setting the applicable interest rate and margin on the Loans in the Portfolio. The mortgage terms applicable to all of the Variable Rate Loans provide that the Seller and its successors may vary the Issuer's Variable Base Rate only for certain reasons which are specified in the relevant mortgage terms. These reasons may include:

- where there has been, or the lender reasonably expects there to be in the near future, a general trend to increase rates on mortgages;
- where the lender for good commercial reasons needs to fund an increase in the interest rate or rates payable to depositors;
- where the lender wishes to adjust its interest rate structure to maintain a prudent level of profitability;

- where there has been, or the lender reasonably expects there to be in the near future, a general increase in the risk of shortfalls on the accounts of mortgage borrowers; and
- where the administrative costs have increased or are likely to increase in the near future.

The term **lender** in the above five bullet points means the Seller and its successors.

The rate that the Borrower is required to pay under the Variable Rate Loans must not be greater than the Barclays Standard Variable Rate, or where a loan is a Discounted Rate Loan, a set margin below the Barclays Standard Variable Rate. The rate that the Borrower is required to pay under the Tracker Rate Loans must not be greater than the Barclays Base Rate plus a set margin above the Barclays Base Rate. In maintaining, determining or setting the variable mortgage rate for Loans within the Portfolio, the Administrator will apply the factors set out here and has undertaken to maintain, determine or set the standard variable rate and other applicable discretionary rates or margins at rates which are not higher than the Seller's equivalent rates from time to time.

The Seller has given the Administrator the power to set the Issuer Variable Base Rate and the Issuer Base Rate and other applicable discretionary rates or margins, but that power may only be exercised in limited circumstances.

Further advances

A Borrower may apply to the Seller for a further amount to be lent to him or her under his or her Loan, which amount will be secured by the same mortgaged property as the Loan. Any **Further Advance** approved by the Seller and made to a Borrower will be added to the outstanding current balance of that Borrower's Loan at the time of the advance under the same terms and conditions as the existing Loan. The aggregate of the outstanding amount of the Loan and the Further Advance may be greater than the original amount of the Loan.

None of the Loans in the Portfolio will oblige the Seller to make Further Advances. However, the Seller may choose to make Further Advances on some Loans. The Administrator is required under the Administration Agreement not to accept an application from a Borrower for a Further Advance in respect of a Loan which has been assigned to the Issuer unless the Seller has elected to repurchase that Loan and its Related Security, (provided that the Loan is not delinquent or in default) in accordance with the terms of Mortgage Sale Agreement. See *Risk factors — Considerations relating to yield, prepayments and mandatory redemptions*.

Product switches

From time to time a Borrower may request or the Seller may offer, in limited circumstances, a variation in the financial terms and conditions applicable to the Borrower's Loan. In addition, in order to promote the retention of borrowers, the Seller may periodically contact certain borrowers in respect of the Seller's total portfolio of outstanding mortgage loans in order to encourage a borrower to review the Seller's other mortgage products and to discuss moving that borrower to an alternative mortgage product. Any such variation (subject to certain exceptions), including a change in product type, is called a **Product Switch**. The Administrator is required under the Administration Agreement not to accept an application from or issue an offer for a Product Switch to any Borrower in respect of a Loan which has been assigned to the Issuer unless the Seller has elected to repurchase that Loan and its Related Security (provided that the Loan is not delinquent or in default) in accordance with the terms of the Mortgage Sale Agreement. See *Risk factors — Considerations relating to yield, prepayments and mandatory redemptions.*

Arrears capitalisation

From time to time, where a Borrower has demonstrated a regular payment history following previous arrears, the Seller may capitalise any outstanding amounts in arrears. In those circumstances, the Seller will set the arrears tracking balance to zero and the related Loan will no longer be considered to be in arrears. The outstanding balance will be required to be repaid over the remaining term of such Loan. See *The Administration Agreement – Arrears and default procedures.*

Origination of the Loans

The Seller currently derives its mortgage lending business for the loan product types in the Portfolio from the following sources:

- intermediaries that include major life insurance companies;
- its branch network throughout the United Kingdom; and
- a centralized telephone-based lending operation.

In most cases, GHL on behalf of the Seller currently performs all the evaluations of the Borrower and determines whether a Loan will be offered. The Seller adopted the CML Code which was a voluntary code observed by most banks, building societies and other residential mortgage lenders in the UK. The CML Code ceased to have effect on N(M). The Seller is authorized to conduct mortgage lending business under the FSMA and is subject to the requirements of MCOB. MCOB sets out, among other things, what information loan applicants should be provided with before committing to a mortgage loan, including the repayment method and repayment period, the financial consequences of early repayment, the type of interest rate, insurance requirements and the costs and fees associated with the mortgage loan. MCOB, as with the CML Code prior to N(M), also requires that the lender, among other things, acts fairly and reasonably with its borrowers and, in certain circumstances, assists borrowers in choosing a mortgage that fits the needs of the relevant borrower. See *Risk factors – Certain Regulatory Considerations*.

Underwriting

The decision to offer a mortgage loan to a potential borrower is currently made by GHL in most cases, or by one of the Seller's associated underwriters and/or mandate holders located in one of its mortgage processing centres, who may liaise with the intermediaries. Each associated underwriter and/or mandate holder must pass a formal training program to gain the authority to approve mortgage loans. Various levels of authority have been established for the underwriters who approve mortgage loan applications. The levels are differentiated by, among other things, degree of risk, value of the property and LTV ratio in the relevant application. An underwriter wishing to move to the next level of authority must first take and pass a further training course. The quality of underwriting decisions on a regular basis is also monitored regularly.

Mandate holders are underwriters who have participated in a formal training program, and who have been given a mandate to approve a mortgage loan for which the potential borrower has attained a pre-approved mortgage limit (**PAML**) on the initial credit review.

The Seller continually reviews the way in which it conducts its mortgage origination business in order to ensure that it remains up-to-date and cost-effective in a competitive market. The Seller may therefore change its origination processes from time to time. However, the Seller will retain exclusive control over the underwriting polices and Lending Criteria to be applied to the origination of each Loan. The Seller's underwriting and processing of mortgage loans are independent from the process by which the Seller's mortgage loans are originated. As of the date of this Prospectus, the Administrator outsources the administration of its loans and their related security to GHL.

Lending criteria

Each Loan was originated according to the Seller's lending criteria applicable at the time the Loan was offered, which lending criteria in the case of each Loan included in the Portfolio as of the Issue Date were the same as or substantially similar to the criteria described in this section (the **Lending Criteria**). The Seller retains the right to revise its Lending Criteria from time to time.

To obtain a mortgage loan, each prospective borrower completes an application form which includes information about the applicant's income, current employment details, bank account information, current mortgage information, if any, and certain other personal information. Barclays Bank PLC banking customers who have already completed application forms to open up a bank account with the bank are permitted to submit the same information that is provided on the bank account application. A credit reference agency search is completed in all cases against each applicant at their current address and, if necessary, former addresses, which gives details of public information including any county court judgments and details of any bankruptcy. Some of the factors currently used in making a lending decision are as follows:

(1) Employment details

The following policy in respect of the verification of a prospective borrower's income details is applied. Under this policy, prospective borrowers are categorised as either employed or self-employed. Proof of income may be established by:

- last three monthly payslips or a letter from the applicant's employer detailing the prospective borrower's income from the six-month period prior to the date of the loan application; and
- proof of income for self-employed prospective borrowers may be established by two years' trading accounts.

(2) Valuation

A valuation of the property must be obtained either from the Seller's in-house valuation department or from an independent firm of professional valuers selected from a panel of approved valuers. Details of professional indemnity insurance held by panel valuers are retained. The person underwriting the mortgage loan and/or the valuation team reviews the valuation of each property securing the mortgage loans. For more information on the valuation process and criteria used for a Further Advance, including the use of desktop valuations, see – *Characteristics of the mortgage loans – Further Advances*.

(3) Property types

The criteria set out below are applied in determining the eligibility of properties to serve as security for mortgage loans. Under these criteria, eligible property types include freehold and leasehold houses or bungalows, leasehold maisonettes and leasehold flats. In the case of a mortgage loan secured by a leasehold property, the unexpired term of the lease must generally be at least 25 years from the end of the agreed mortgage loan term.

(4) Loan amount

The Seller does not impose a maximum loan amount on its mortgage loans. The Seller has represented and warranted in the Mortgage Sale Agreement that, as of the date of assignment, no Loan in the Portfolio had a balance greater than £3,385,133.

(5) Term

Each Loan must have an initial term of between five and 25 years. Pension linked loans and mortgage loans to first time buyers may have a maximum term of up to 35 years.

(6) Age of applicant

All borrowers must be aged 18 or over. There are no maximum age limits; however, each Loan should be repaid by the time that the Borrower has reached aged 65 years or retirement age.

(7) Status of applicant(s)

The maximum loan amount of the mortgage loan(s) under a Mortgage Account is determined by a number of factors, including the applicant's income. In determining income, basic salary along with performance or profit-related pay, allowances, mortgage subsidies, pensions, annuities, overtime, bonus and commission may be included. Positive proof of the applicant's identity and address is obtained in all cases.

In cases where an applicant requests that a secondary income be taken into account, the sustainability of the applicant's work hours, the similarity of the jobs and/or skills, the commuting time and distance between jobs, the length of employment at both positions and whether the salary is consistent with the type of employment may be considered. After assessing the above factors, a determination will be made if it is appropriate to use both incomes. If so, a portion of the secondary income will be used as part of the normal income calculation.

The Seller may exercise discretion within its Lending Criteria in applying those factors that are used to determine the maximum amount an applicant can borrow. Accordingly, these parameters may vary for some mortgage loans. PAML, existing customer relationship, LTV and total income needed to support the mortgage loan may be considered when applying discretion.

(8) Credit history

Credit search

A credit search is carried out in respect of all applicants. Applications may be declined where an adverse credit history (for example, county court judgment, default or bankruptcy notice) is revealed.

Existing lender's or landlord's reference

In some cases, a reference from any existing and/or previous lender may be required. Any reference must satisfy the Seller that the account has been properly conducted and that no history of material arrears exists. The bureau record obtained as a result of the credit search may be substituted in lieu of the reference in certain circumstances. If an applicant who is a first time buyer cannot provide a lender's or a landlord's reference, a banker's reference may be required.

*(9) Pre-approved Mortgage Limit (**PAML**)*

Some of the criteria described here and various other criteria are used to produce an overall PAML for the application that reflects the statistical analysis of the risk of advancing the mortgage loan. The system has been developed using the Seller's own data and experience of its own mortgage and other accounts. The lending policies and processes are determined centrally to ensure consistency in the management and monitoring of credit risk exposure. Full use is made of software technology in classifying new applications. The PAML system applies statistical analysis to publicly available data and customer-provided data to assess the likelihood of a Mortgage Account going into arrears. Behavioural scoring, which uses customer data on existing accounts to make further lending decisions and to prioritize action in case of arrears, may also be used.

The Seller reserves the right to decline an application. An appeals process is available if an applicant believes that his/her application has been unfairly declined. It is the Seller's policy to allow only authorized individuals to exercise discretion in granting variances from the PAML.

Seller's discretion to lend outside its Lending Criteria

On a case-by-case basis, and within approved limits as detailed in the Seller's Lending Criteria, the Seller may have determined that, based upon compensating factors, a prospective borrower that did not strictly qualify under its Lending Criteria at that time warranted an underwriting exception. Compensating factors may be considered including, but not limited to, a low LTV ratio, stable employment and time in residence at the applicant's current residence. Further Advances (made prior to their assignment to the Issuer) that were originated under Lending Criteria that are different from the Lending Criteria set out here may be assigned to the Issuer.

Maximum LTV ratio

The maximum LTV ratio permitted for prospective borrowers applying for mortgage loans of up to £500,000 is 90 per cent. of the lower of the purchase price or valuation of the mortgaged property determined by the relevant valuation. The maximum LTV ratio permitted for prospective first-time borrowers, professionals and Barclays Bank PLC Premier Banking customers applying for mortgage loans of up to £500,000 is 95 per cent. of the lower of the purchase price or valuation of the mortgaged property determined by the relevant valuation. The maximum LTV ratio permitted for prospective borrowers applying for mortgage loans of over £500,000 is 80 per cent. of the lower of the purchase price or valuation of the mortgaged property determined by the relevant valuation.

In the case of a purchase of a mortgaged property, the current market value of that mortgaged property will be determined (which will be used to determine the maximum amount of the mortgage loan permitted to be made by the Seller) to be the lower of:

- the valuation made by an independent valuer from the panel of valuers appointed by the Seller or an employee valuer of the Seller; or
- the purchase price for the mortgaged property paid by the prospective borrower.

If a Borrower or a prospective borrower has applied to remortgage its current mortgaged property, the current market value of the mortgaged property will be determined (for the purpose of determining the maximum amount of the loan available) by using the then current valuation of the mortgaged property as determined using the process described under – *Lending criteria – (2) Valuation*.

If the borrower has applied for a further advance, the current market value of the mortgaged property will be determined by using either an indexed valuation figure provided by a UK pricing index, a desktop valuation by an employee valuer of the Seller or the then current valuation of the mortgaged property as determined using the process described under – *Lending criteria – (2) Valuation*.

Buildings insurance policies

Insurance on the property

A borrower is required to arrange for insurance on the mortgaged property for an amount equal to the full rebuilding cost of the property.

When any claim arises or is made under any insurance policy relating to the mortgaged property, the Seller shall have the power and authority to settle and adjust with the insurers any question relating to such insurance. The Seller's receipt for any moneys receivable under any such policy shall be a sufficient discharge to the insurers. The Seller may in its discretion apply any such moneys in or towards the reinstatement of the mortgaged property or the redemption of the mortgage, and shall pay the surplus (if any) to the person entitled thereto.

Whenever any fire, life or other insurance of whatever kind is effected through the Seller's agency, all sums allowed to the Seller by way of commission or otherwise by the insurers shall belong absolutely to the Seller and it shall not be required to account therefor.

If a borrower asks the Seller to arrange insurance on its behalf, a policy will be issued by a Seller arranged insurer, which currently is Gresham Insurance Company Limited. Gresham Insurance Company Limited's registered number is 110410 and its address is St Helens, 1 Undershaft, London EC3P 3DQ. The policy will provide the borrower with rebuilding insurance up to an annual amount equal to the actual rebuilding cost. Standard policy conditions apply, which are renegotiated periodically by the Seller with the Seller arranged insurer. Under Seller arranged insurance policies, the Seller will assign its rights under those policies to the Issuer. Amounts paid under the insurance policy are generally utilised to fund the reinstatement of the property or are otherwise paid to the Seller to reduce the amount of the mortgage loan(s).

In the Administration Agreement, the Seller, acting in its capacity as Administrator, has agreed to deal with claims under the Seller arranged insurance policies in accordance with its normal procedures and also has agreed to make or enforce claims and to hold the proceeds of claims on trust for the Issuer or as the Issuer may direct.

Properties in possession policy

If the Seller takes possession of a property from a borrower in default, the Seller has coverage through a properties in possession policy from Gresham Insurance Company Limited. The policy provides the Seller with rebuilding insurance up to an amount equal to the actual rebuilding cost. The Seller will assign its rights under this policy to the Issuer for any Loan which is in the Portfolio and is a property in possession. Amounts paid under the properties in possession policy are generally utilized to fund the reinstatement of the property or are otherwise paid to the Seller to reduce the amount of the mortgage loan.

MIG policies

A mortgage indemnity guarantee, or MIG, policy is an agreement between a lender and an insurance company to underwrite the amount of each relevant mortgage loan which exceeds a specified LTV ratio, subject to certain conditions and exclusions. Although since 1 January 2003 the Seller has not taken out a MIG policy with respect to any mortgage loan originated on or after 1 January 2003, each mortgage loan originated prior to 1 January 2003 that had an LTV ratio in excess of 80 per cent. has the benefit of MIG cover provided by GE Mortgage Insurance (Guernsey) Limited (under the primary policy) and GE Mortgage Insurance Limited (under a deeper cover portfolio policy). However, under the terms of these MIG policies, the MIG coverage for a mortgage loan will be cancelled in the event a further advance is granted with respect to such mortgage loan on or after 1 January 2003.

This insurance is intended to provide only limited cover in the event of losses being incurred in excess of the relevant LTV ratio following repossession and sale of a mortgaged property from a borrower, and is further limited in that such insurance is subject to certain caps on claims that may be made under the MIG policy by the Seller and/or its relevant subsidiary. The MIG policy will not cover all losses suffered in relation to the mortgage loans which continue to have MIG coverage and each such mortgage loan is only covered for a ten year period following completion of the mortgage loan or further advance. The Issuer is not required to maintain a mortgage indemnity policy with the current insurer. See *Risk factors – Insurance Policies*.

The policies can be terminated by the insurer if the insurance premiums, which are payable throughout the life of the policy, are not paid when due.

The insured under each MIG policy is the Seller and/or its relevant subsidiary. The related borrower has no interest in this policy. The Seller will not assign its rights under the MIG policies to the Issuer for any Loan which is in the Portfolio. Practically speaking, this will have little effect on the way in which claims are made and paid under the policies as they will continue to be administered by the Seller acting in its capacity as Administrator. The proceeds of all claims will be paid to an account of the Seller.

The Seller has warranted in the Mortgage Sale Agreement that to the best of its knowledge, at the date of completion of the Loan, each of the mortgage indemnity policies relating to a mortgaged property was in force and all premiums thereon had been paid. The Seller also has warranted that, so far as the Seller is aware, there has been no breach of any term of the mortgage indemnity policies which would entitle the relevant insurer to avoid the same. Management of the Seller believes that financial information relating to GE Mortgage Insurance (Guernsey) Limited or GE Mortgage Insurance Limited is not material to an investor's decision to purchase the Notes.

Policies of Life Assurance

If a policy of life insurance is deposited with the Seller and legally assigned to it, the borrower authorises the Seller during the life of the mortgage to surrender or otherwise deal with the policy or policy moneys. The Seller has not taken any assignment of life policies as security for mortgage loans originated after 1 October 1996 and does not carry out any checks to ensure that life cover is maintained on policies which are assigned to it.

CHARACTERISTICS OF THE PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to the Loans in the Provisional Portfolio as at 30 September 2005. Columns may not add up to the total due to rounding.

Weighted Average Original LTV: 67.96 per cent.

Weighted Average Current LTV: 60.10 per cent.

Weighted Average Indexed LTV: 38.41 per cent.

Weighted Average Seasoning: 6.08 (years)

Weighted Average Remaining Term: 14.10 (years)

Seasoning of Loans

Age of Mortgage Loans (years)	Aggregate Current Balance (£)	% of Total	Number of Mortgage Loans	% of Total
0-2	485,814,328	9.80	4,164	5.44
2-4	1,079,070,738	21.76	10,900	14.24
4-6	1,255,146,297	25.31	16,197	21.16
6-8	928,918,449	18.73	15,301	19.99
8-10	378,798,950	7.64	8,865	11.58
10-12	388,002,344	7.82	9,346	12.21
12-14	317,819,850	6.41	8,412	10.99
14-16	98,836,491	1.99	2,677	3.50
16-18	22,207,987	0.45	589	0.77
18-20	4,175,553	0.08	108	0.14
Totals	4,958,790,987	100.00	76,559	100.00

The weighted average seasoning of the Loans in the Provisional Portfolio was 6.08 years as at 30 September 2005.

Geographical distribution of mortgaged properties

The following table shows the spread of properties throughout England and Wales in the Provisional Portfolio. No property in the Provisional Portfolio is situated outside England and Wales.

Region	Aggregate Outstanding Principal Balance (£)	% of Total	Number of Loans	% of Total
East Anglia	404,801,495	8.16	6,451	8.43
East Midlands	215,253,769	4.34	4,140	5.41
Greater London	789,560,189	15.92	6,652	8.69
North	221,127,672	4.46	5,425	7.09
North West	313,904,157	6.33	6,591	8.61
South East	1,797,372,966	36.25	22,336	29.17
South West	390,677,634	7.88	6,419	8.38
Wales	246,633,429	4.97	5,943	7.76
West Midlands	342,089,879	6.90	7,235	9.45
Yorks and Humberside	237,369,799	4.79	5,367	7.01
Totals	4,958,790,987	100.00	76,559	100.00

Loan-to-Value Ratios

Range of current Loan-to-Value	Aggregate Outstanding Principal Balance (£)	% of Total	Number of Loans	% of Total
0% to 25%	270,275,181	5.45	11,878	15.51
25% to 50%	1,178,741,823	23.77	20,683	27.02
50% to 55%	373,936,178	7.54	5,131	6.70
55% to 60%	427,923,443	8.63	5,419	7.08
60% to 65%	462,267,762	9.32	5,665	7.40
65% to 70%	508,892,557	10.26	5,860	7.65
70% to 75%	538,572,562	10.86	5,726	7.48
75% to 80%	457,987,155	9.24	4,998	6.53
80% to 85%	298,586,758	6.02	4,098	5.35
85% to 90%	210,636,895	4.25	3,109	4.06
90% to 95%	132,692,338	2.68	2,078	2.71
>95%	98,278,337	1.98	1,914	2.50
Totals	4,958,790,987	100.00	76,559	100.00

The weighted average loan-to-value ratio of the Loans in the Provisional Portfolio was 60.10 per cent. by value as at 30 September 2005.

Indexed Loan-to-Value Ratios

	Aggregate Outstanding Principal Balance (£)	% of Total	Number of Loans	% of Total
0% to 25%	1,141,242,595	23.01	33,079	43.21
25% to 50%	2,582,142,125	52.07	35,420	46.26
50% to 55%	319,457,994	6.44	2,661	3.48
55% to 60%	265,035,362	5.34	1,852	2.42
60% to 65%	225,011,582	4.54	1,400	1.83
65% to 70%	176,055,274	3.55	963	1.26
70% to 75%	134,646,367	2.72	610	0.80
75% to 80%	68,829,960	1.39	339	0.44
80% to 85%	27,791,953	0.56	142	0.19
85% to 90%	13,243,352	0.27	65	0.08
90% to 95%	4,838,883	0.10	25	0.03
>95%	495,541	0.01	3	0.00
Totals	4,958,790,987	100.00	76,559	100.00

The weighted average current indexed loan-to-value ratio of the Loans in the Provisional Portfolio at origination was 38.41 per cent. by value indexed using the regional, non-seasonally adjusted, Halifax House Price Index.

Loan-to-Value Ratios at Origination

	Aggregate Outstanding Principal Balance (£)	% of Total	Number of Loans	% of Total
0% to 25%	131,467,003	2.65	4,734	6.18
25% to 50%	820,594,409	16.55	15,913	20.79
50% to 55%	277,975,879	5.61	4,297	5.61
55% to 60%	340,488,564	6.87	4,881	6.38
60% to 65%	375,726,369	7.58	5,014	6.55
65% to 70%	452,656,127	9.13	5,785	7.56
70% to 75%	522,194,563	10.53	6,310	8.24
75% to 80%	764,543,430	15.42	8,637	11.28
80% to 85%	303,827,096	6.13	4,103	5.36
85% to 90%	491,357,039	9.91	7,806	10.20
90% to 95%	451,183,955	9.10	8,759	11.44
>95%	26,776,553	0.54	320	0.42
Totals	4,958,790,987	100.00	76,559	100.00

The weighted average loan-to-value ratio of the Loans in the Provisional Portfolio at origination was 67.96 per cent. by value.

Outstanding Current Balances

Range of Outstanding Principal Balances (£)	Aggregate Outstanding Principal Balance (£)	% of Total	Number of Loans	% of Total
0 to 25,000	282,151,149	5.69	18,896	24.68
25,000 to 50,000	947,042,867	19.10	25,996	33.96
50,000 to 75,000	830,527,785	16.75	13,633	17.81
75,000 to 100,000	555,628,603	11.20	6,454	8.43
100,000 to 125,000	398,641,003	8.04	3,578	4.67
125,000 to 150,000	298,053,772	6.01	2,181	2.85
150,000 to 175,000	233,125,189	4.70	1,443	1.88
175,000 to 200,000	183,218,792	3.69	979	1.28
200,000 to 225,000	146,118,602	2.95	690	0.90
225,000 to 250,000	125,430,712	2.53	528	0.69
250,000 to 275,000	101,691,035	2.05	388	0.51
275,000 to 300,000	86,862,795	1.75	302	0.39
300,000 to 325,000	72,639,048	1.46	233	0.30
325,000 to 350,000	70,744,956	1.43	210	0.27
350,000 to 375,000	55,327,846	1.12	153	0.20
375,000 to 400,000	51,341,281	1.04	132	0.17
400,000 to 425,000	38,280,128	0.77	93	0.12
425,000 to 450,000	40,269,138	0.81	92	0.12
450,000 to 475,000	34,634,895	0.70	75	0.10
475,000 to 500,000	39,588,413	0.80	81	0.11
> 500,000	367,472,978	7.41	422	0.55
Totals	4,958,790,987	100.00	76,559	100.00

Mortgage Loan Products

Mortgage loan products	Aggregate Outstanding Principal Balance (£)	% of Total	Number of Loans	% of Total
Discount	1,059,193,268	21.36	10,748	14.04
Fixed	1,638,823,571	33.05	22,668	29.61
Standard Variable	1,200,859,025	24.22	29,223	38.17
Tracker	1,059,915,123	21.37	13,920	18.18
Totals	4,958,790,987	100.00	76,559	100.00

Distribution of Fixed Rate Mortgage Loans (by interest rate)

Fixed Rate interest rates	Aggregate Outstanding Principal Balance (£)	% of Total	Number of Loans	% of Total
3 - 3.99	38,975,112	2.38	219	0.97
4 - 4.99	490,516,039	29.93	5,560	24.53
5 - 5.99	838,081,298	51.14	11,793	52.02
6 - 6.99	183,533,787	11.20	3,135	13.83
7 - 7.99	71,415,343	4.36	1,497	6.60
8 - 8.99	14,803,564	0.90	419	1.85
9 - 9.99	1,498,428	0.09	45	0.20
Totals	1,638,823,571	100.00	22,668	100.00

Distribution of Fixed Rate Mortgage Loans (by year)

Year in which fixed rate period ends	Aggregate Outstanding Principal Balance (£)	% of Total	Number of Loans	% of Total
2004	113,848	0.01	4	0.02
2005	67,473,808	4.12	1,120	4.94
2006	311,510,764	19.01	3,999	17.64
2007	337,156,261	20.57	4,197	18.52
2008	529,970,904	32.34	7,764	34.25
2009	320,571,112	19.56	4,714	20.80
2010	56,232,846	3.43	690	3.04
2011	4,403,550	0.27	79	0.35
2013	476,249	0.03	10	0.04
2014	8,097,390	0.49	64	0.28
2015	2,136,909	0.13	13	0.06
2016	679,931	0.04	14	0.06
Totals	1,638,823,571	100.00	22,668	100.00

Distribution of Discounted Rate Loans (by discount amount)

Discount amount %	Aggregate Outstanding Principal Balance (£)	% of Total	Number of Loans	% of Total
1.00 - 1.20	3,649,141	0.34	99	0.92
1.20 - 1.40	93,628,238	8.84	1,814	16.88
1.40 - 1.60	161,392,509	15.24	2,072	19.28
1.60 - 1.80	129,403,018	12.22	943	8.77
1.80 - 2.00	457,307,172	43.18	4,720	43.92
2.00 - 2.20	65,788,513	6.21	270	2.51
2.20 - 2.40	148,024,676	13.98	830	7.72
Totals	1,059,193,268	100.00	10,748	100.00

Distribution of Discounted Rate Loans (by year)

Year in which discount rate period ends	Aggregate Outstanding Principal Balance (£)	% of Total	Number of Loans	% of Total
2005	17,159,519	1.62	250	2.33
2006	313,024,442	29.55	3,862	35.93
2007	648,408,019	61.22	4,835	44.99
2008	14,445,682	1.36	293	2.73
2009	1,364,360	0.13	35	0.33
2010	64,791,246	6.12	1,473	13.70
Totals	1,059,193,268	100.00	10,748	100.00

Repayment terms

Types of Repayment plans	Aggregate Outstanding Principal Balance (£)	% of Total	Number of Loans	% of Total
Endowment	1,340,613,922	27.04	23,934	31.26
Interest Only	174,857,398	3.53	554	0.72
Pension	295,684,494	5.96	2,195	2.87
Repayment	3,147,635,174	63.48	49,876	65.15
Totals	4,958,790,987	100.00	76,559	100.00

Purpose of Loan

Use of Proceeds	Aggregate Outstanding Principal Balance (£)	% of Total	Number of Loans	% of Total
Purchase	4,392,225,365	88.57	61,580	80.43
Remortgage	566,565,623	11.43	14,979	19.57
Totals	4,958,790,987	100.00	76,559	100.00

Years to maturity of Loans

Years to Maturity (Years)	Aggregate Outstanding Principal Balance (£)	% of Total	Number of Loans	% of Total
0 to 5	365,233,427	7.37	11,080	14.47
5 to 10	914,600,104	18.44	18,395	24.03
10 to 15	1,291,905,677	26.05	20,856	27.24
15 to 20	1,608,723,131	32.44	19,711	25.75
20 to 25	735,023,949	14.82	6,145	8.03
25 to 30	32,115,962	0.65	270	0.35
30 to 35	11,188,737	0.23	102	0.13
Totals	4,958,790,987	100.00	76,559	100.00

The weighted average remaining term of the Loans in the Provisional Portfolio was 14.10 years.

Property Type

Property Type	Aggregate Outstanding Principal Balance (£)	% of Total	Number of Loans	% of Total
Terraced	933,561,876	18.83	19,643	25.66
Flat/Maisonette	597,531,463	12.05	8,460	11.05
Detached	1,818,837,684	36.68	18,110	23.65
Bungalow	283,666,867	5.72	5,341	6.98
Other	59,822,643	1.21	1,069	1.40
Semi-Detached	1,265,370,455	25.52	23,936	31.26
Totals	4,958,790,987	100.00	76,559	100.00

Months in Arrears	Aggregate Outstanding Principal Balance (£)	% of Total	Number of Loans	% of Total
Current	4,757,257,393	95.94	73,639	96.19
>=1 month to <=2 months	111,886,960	2.26	1,611	2.10
>2 months to <=3 months	42,039,419	0.85	610	0.80
>3 months to <=6 months	47,607,215	0.96	699	0.91
	4,958,790,987	100.00	76,559	100.00

CHARACTERISTICS OF THE BARCLAYS TRADITIONAL MORTGAGE BOOK

The Loans and Related Security in the Portfolio have been drawn from the Barclays Traditional Mortgage Book. Set out below is some information relating to the characteristics of the Barclays Traditional Mortgage Book. Investors should note that the information set out below is not audited and there is no assurance that the future performance of the Loans will reflect the historical performance of the loans in the Barclays' Traditional Mortgage Book.

Mortgage Portfolio Performance

Barclays Bank PLC is the 5th largest residential mortgage lender in the UK with a market share of 7 per cent. as at 31 December 2004. The total consolidated value of the Seller's Traditional Mortgage Book as at 31 December 2004 was approximately £8.46 billion. This represented approximately 14 per cent. by value of the Barclays Bank PLC mortgages.

As at 30 June 2005, the value of the Barclays Traditional Mortgage Book was approximately £7.3 billion. Approximately 4.3 per cent. by value of customers in the Barclays Traditional Mortgage Book were in arrears by more than 29 days with 2.6 per cent. by value having missed three or more payments.

The above figures are unaudited.

Arrears experience of residential mortgage loans in the Barclays Traditional Mortgage Book

	Dec 2002	Dec 2003	Dec 2004	Jun 2005
Outstanding balance (£ millions)	13,191	10,308	8,463	7,329
Number of loans outstanding (thousands)	200.90	157.97	128.69	118.87
1-29 days in arrears	243.55	216.68	153.08	146.49
30-59 days in arrears	167.36	111.31	101.84	125.74
60-89 days in arrears	80.56	56.80	48.84	53.05
90 or more days in arrears	205.58	150.34	127.39	137.67
Total outstanding balance of loans in arrears	697.05	535.13	431.14	462.95

There can be no assurance that the arrears experience with respect to the Portfolio will correspond to the experience of the Barclays Traditional Mortgage Book as set forth in the foregoing table. The statistics in the preceding table represent only the arrears experience for the years presented, whereas the arrears experience on the Portfolio after the Issue Date will depend on results obtained over the life of the Loans in the Portfolio. The foregoing statistics include loans with a variety of payment and other characteristics that may not correspond to those of the Loans in the Portfolio. The above information has not been audited.

CHARACTERISTICS OF UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

The housing market in the UK is primarily one of owner-occupied housing. At the end of 2004, owner-occupation and privately rented accommodation accounted for 70.4 per cent. and 10.4 per cent. of the housing stock respectively, according to the Office of the Deputy Prime Minister. The remainder were in some form of public/social ownership.

According to the Council of Mortgage Lenders, at the end of 2004, mortgage loans outstanding amounted to £876.9 billion, with banks and building societies holding 61.9 per cent. and 18.2 per cent. of the total respectively, and in 2004 outstanding mortgage debt grew by 13.2 per cent., well above the long-term average of 8.8 per cent. during 1994-2004.

Set out in the following tables are a number of characteristics of the United Kingdom mortgage market.

CPR rates

This quarterly constant prepayment rate, or CPR, data was calculated by dividing the amount of mortgages repaid in a quarter by the quarterly balance of mortgages outstanding for building societies in the UK. These quarterly repayment rates were then annualised using standard methodology.

CPR (%)	*Aggregate Quarters Over 42 Years*	*CPR (%)*	*Aggregate Quarters Over 42 Years*	*CPR (%)*	*Aggregate Quarters Over 42 Years*	*CPR (%)*	*Aggregate Quarters Over 42 Years*
7.0	0	11.0	18	15.0	3	19.0	2
7.5	0	11.5	16	15.5	2	19.5	2
8.0	4	12.0	20	16.0	4	20.0	3
8.5	1	12.5	13	16.5	2	20.5	2
9.0	6	13.0	11	17.0	1	21.0	0
9.5	9	13.5	5	17.5	1	21.5	2
10.0	10	14.0	6	18.0	3	22.0	2
10.5	18	14.5	2	18.5	1	22.5	2

Source: Council of Mortgage Lenders

Over the past 42 years, the highest single quarter CPR experienced in respect of residential mortgage loans made by building societies was recorded in September 2002 at a level of 22.41 per cent. The lowest level was 7.94 per cent. in March and June of 1974.

The highest 12-month rolling average CPR over the same 42-year period was 21.13 per cent. The lowest was 8.75 per cent.

Quarter	*CPR Rate for the Quarter (%)*	*12-month Rolling Average (%)*	*Quarter*	*CPR Rate for the Quarter (%)*	*12-month Rolling Average (%)*
March 1964	11.29	12.27	June1964	12.30	12.41
September 1964	12.68	12.41	December1964	12.82	12.27
March 1965	11.12	12.23	June1965	10.80	11.86
September 1965	10.66	11.35	December1965	11.51	11.02
March 1966	10.45	10.85	June1966	11.39	11.00
September 1966	11.71	11.27	December1966	10.60	11.04
March 1967	9.49	10.80	June1967	10.95	10.69
September 1967	11.65	10.67	December1967	11.51	10.90
March 1968	10.18	11.07	June1968	10.57	10.98
September 1968	10.91	10.79	December1968	10.24	10.48
March 1969	9.15	10.22	June1969	10.23	10.13
September 1969	10.65	10.07	December1969	10.01	10.01
March 1970	8.92	9.95	June 1970	10.68	10.06

Quarter	*CPR Rate for the Quarter (%)*	*12-month Rolling Average (%)*	*Quarter*	*CPR Rate for the Quarter (%)*	*12-month Rolling Average (%)*
September 1970	11.60	10.30	December 1970	11.46	10.66
March 1971	9.33	10.76	June 1971	11.44	10.96
September 1971	12.17	11.10	December 1971	12.30	11.31
March 1972	10.72	11.66	June 1972	11.81	11.75
September 1972	12.24	11.77	December 1972	11.74	11.63
March 1973	10.11	11.48	June 1973	10.54	11.16
September 1973	11.06	10.86	December 1973	10.55	10.56
March 1974	7.94	10.02	June 1974	7.94	9.37
September 1974	9.58	9.01	December 1974	10.83	9.07
March 1975	9.96	9.58	June 1975	12.23	10.65
September 1975	12.76	11.44	December 1975	12.21	11.79
March 1976	10.10	11.82	June 1976	11.48	11.64
September 1976	11.86	11.41	December 1976	11.70	11.28
September 1977	12.13	10.42	December 1977	12.66	10.66
March 1978	11.30	11.48	June 1978	12.19	12.07
September 1978	11.71	11.97	December 1978	11.19	11.60
March 1979	9.33	11.11	June 1979	10.12	10.59
September 1979	11.36	10.50	December 1979	11.07	10.47
March 1980	8.03	10.15	June 1980	8.66	9.78
September 1980	9.87	9.41	December 1980	10.48	9.26
March 1981	9.97	9.74	June 1981	11.78	10.52
September 1981	12.53	11.19	December 1981	11.82	11.53
March 1982	9.63	11.44	June 1982	12.91	11.72
September 1982	13.96	12.08	December 1982	14.20	12.68
March 1983	12.55	13.41	June 1983	12.76	13.37
September 1983	12.48	13.00	December 1983	11.86	12.41
March 1984	10.40	11.88	June 1984	12.13	11.72
September 1984	12.40	11.70	December 1984	11.87	11.70
March 1985	10.02	11.61	June 1985	11.67	11.49
September 1985	13.46	11.76	December 1985	13.68	12.21
March 1986	11.06	12.47	June 1986	15.53	13.43
September 1986	17.52	14.45	December 1986	15.60	14.92
March 1987	10.57	14.80	June 1987	14.89	14.64
September 1987	16.79	14.46	December 1987	16.18	14.61
March 1988	13.55	15.35	June 1988	16.03	15.64
September 1988	18.23	16.00	December 1988	12.60	15.10
March 1989	8.85	13.93	June 1989	13.04	13.18
September 1989	11.53	11.51	December 1989	10.38	10.95
March 1990	8.91	10.96	June 1990	9.37	10.05
September 1990	9.66	9.58	December 1990	10.58	9.63
March 1991	9.07	9.67	June 1991	10.69	10.00
September 1991	11.57	10.48	December 1991	10.24	10.39
March 1992	9.14	10.41	June 1992	9.12	10.02
September 1992	9.75	9.56	December 1992	7.96	8.99
March 1993	8.53	8.84	June 1993	9.97	9.05
September 1993	10.65	9.28	December 1993	10.01	9.79
March 1994	8.97	9.90	June 1994	10.48	10.03

Quarter	CPR Rate for the Quarter (%)	12-month Rolling Average (%)	Quarter	CPR Rate for the Quarter (%)	12-month Rolling Average (%)
September 1994	11.05	10.13	December1994	10.68	10.29
March 1995	9.15	10.34	June1995	10.51	10.35
September 1995	11.76	10.53	December1995	11.61	10.76
March 1996	10.14	11.00	June1996	11.32	11.21
September 1996	13.20	11.57	December1996	12.58	11.81
March 1997	9.75	11.71	June1997	15.05	12.65
September 1997	12.18	12.39	December1997	11.17	12.04
March 1998	10.16	12.14	June1998	12.05	11.39
September 1998	13.79	11.79	December1998	13.43	12.36
March 1999	11.14	12.60	June1999	14.27	13.16
September 1999	15.60	13.61	December1999	14.94	13.99
March 2000	13.82	14.66	June2000	13.87	14.56
September 2000	14.89	14.38	December2000	15.57	14.54
March 2001	15.48	14.95	June2001	17.39	15.83
September 2001	19.17	16.90	December2001	19.03	17.77
March 2002	18.70	18.57	June2002	19.91	19.21
September 2002	22.41	20.01	December2002	22.16	20.80
March 2003	19.52	21.00	June2003	20.19	21.07
September 2003	21.66	20.88	December2003	21.34	20.67
March 2004	20.00	20.80	June2004	21.50	21.13
September 2004	21.49	21.08	December2004	18.78	20.45
March 2005	17.80	19.90	June2005	17.79	18.97
September 2005	20.28	18.66			

Source of repayment and outstanding mortgage information: Council of Mortgage Lenders

Repossession rate

Following thirteen years of almost continuous decline in the number of mortgage possessions, possessions rose in the first half of 2005.

Year	Repossessions (%)	Year	Repossessions (%)	Year	Repossessions (%)
1982	0.11	1989	0.17	1996	0.40
1983	0.12	1990	0.47	1997	0.31
1984	0.17	1991	0.77	1998	0.31
1985	0.25	1992	0.69	1999	0.27
1986	0.30	1993	0.58	2000	0.21
1987	0.32	1994	0.47	2001	0.15
1988	0.22	1995	0.47	2002	0.11
				2003	0.07
				2004	0.05

Source: Council of Mortgage Lenders

House price to earnings ratio

The following table shows the ratio for any one year of the average annual value of houses (sourced prior to and including 1993 from the ''Department of the Environment, Transport and the Regions/Building Societies Association Five per cent. Sample Survey of Building Society Mortgage Completions'' and sourced

from and including 1994 from the ''Department of the Environment, Transport and the Regions/Council of Mortgage Lenders Survey of Mortgage Lenders'') compared to the average annual salary in the UK as calculated from the weekly earnings in April of the same year of male employees whose earnings were not affected by their absence from work (as recorded by the Department for Education and Employment). While this is a good indication of house affordability, it does not take into account the fact that the majority of households have more than one income to support a mortgage loan.

Year	*House Price to Earnings Ratio*	*Year*	*House Price to Earnings Ratio*
1989	5.05	1997	3.62
1990	4.54	1998	3.86
1991	4.17	1999	4.09
1992	3.79	2000	4.44
1993	3.58	2001	4.52
1994	3.43	2002	5.10
1995	3.37	2003	5.64
1996	3.41	2004	6.00

Source: Council of Mortgage Lenders

House price index

UK residential property prices, as measured by the Nationwide House Price Index and Halifax House Price Index (collectively the **Housing Indices**), have generally followed the UK Retail Price Index over an extended period. Nationwide is a UK building society and Halifax is a UK bank.

The housing market has been through three economic cycles since 1976. The greatest year to year increases in the Housing Indices occurred in the late 1970s and late 1980s with the greatest decrease in the early 1990s.

The Housing Indices have generally increased since 1996.

	Retail Price Index		*Nationwide House Price Index*		*Halifax House Price Index*	
Quarter	*Index*	*% Annual Change*[1]	*Index*	*% Annual Change*[1]	*Index*	*% Annual Change*[1]
March 1981	72.0	11.9	47.3	4.5	NA	NA
June 1981	75.0	10.7	48.1	3.2	NA	NA
September 1981	76.3	10.8	48.3	2.5	NA	NA
December 1981	78.3	11.4	47.5	1.3	NA	NA
March 1982	79.4	9.8	48.2	1.9	NA	NA
June 1982	81.9	8.8	49.2	2.3	NA	NA
September 1982	81.9	7.0	49.8	3.1	NA	NA
December 1982	82.5	5.3	51.0	7.1	NA	NA
March 1983	83.1	4.5	52.5	8.5	97.1	NA
June 1983	84.8	3.6	54.6	10.4	99.4	NA
September 1983	86.1	5.0	56.2	12.1	101.5	NA
December 1983	86.9	5.2	57.1	11.3	102.3	NA
March 1984	87.5	5.1	59.2	12.0	104.1	7.0
June 1984	89.2	5.0	61.5	11.9	106.0	6.4
September 1984	90.1	4.6	62.3	10.3	108.4	6.6
December 1984	90.9	4.5	64.9	12.8	111.0	8.2
March 1985	92.8	5.9	66.2	11.2	113.5	8.6
June 1985	95.4	6.7	68.2	10.3	115.4	8.5

	Retail Price Index		*Nationwide House Price Index*		*Halifax House Price Index*	
Quarter	*Index*	*% Annual Change*[1]	*Index*	*% Annual Change*[1]	*Index*	*% Annual Change*[1]
September 1985	95.4	5.7	69.2	10.5	116.8	7.5
December 1985	96.1	5.5	70.7	8.6	120.6	8.3
March 1986	96.7	4.1	71.1	7.1	124.0	8.8
June 1986	97.8	2.5	73.8	7.9	128.1	10.4
September 1986	98.3	2.9	76.3	9.8	132.2	12.4
December 1986	99.6	3.6	79.0	11.1	136.8	12.6
March 1987	100.6	3.9	81.6	13.8	142.3	13.8
June 1987	101.9	4.1	85.8	15.1	146.7	13.6
September 1987	102.4	4.1	88.6	15.0	151.5	13.6
December 1987	103.3	3.6	88.5	11.4	158.0	14.4
March 1988	104.1	3.4	90.0	9.8	167.0	16.0
June 1988	106.6	4.5	97.6	12.9	179.4	20.1
September 1988	108.4	5.7	108.4	20.2	197.4	26.5
December 1988	110.3	6.6	114.2	25.5	211.8	29.3
March 1989	112.3	7.6	118.8	27.8	220.7	27.9
June 1989	115.4	7.9	124.2	24.1	226.1	23.1
September 1989	116.6	7.3	125.2	14.4	225.5	13.3
December 1989	118.8	7.4	122.7	7.2	222.5	4.9
March 1990	121.4	7.8	118.9	0.1	223.7	1.3
June 1990	126.7	9.3	117.7	(5.4)	223.3	(1.2)
September 1990	129.3	10.3	114.2	(9.2)	222.7	(1.2)
December 1990	129.9	8.9	109.6	(11.3)	223.0	0.2
March 1991	131.4	7.9	108.8	(8.9)	223.1	(0.3)
June 1991	134.1	5.7	110.6	(6.2)	221.9	(0.6)
September 1991	134.6	4.0	109.5	(4.2)	219.5	(1.4)
December 1991	135.7	4.4	107.0	(2.4)	217.7	(2.4)
March 1992	136.7	3.9	104.1	(4.4)	213.2	(4.5)
June 1992	139.3	3.8	105.1	(5.1)	208.8	(6.1)
September 1992	139.4	3.5	104.2	(5.0)	206.9	(5.9)
December 1992	139.2	2.5	100.1	(6.7)	199.5	(8.7)
March 1993	139.3	1.9	100.0	(4.0)	199.6	(6.6)
June 1993	141.0	1.2	103.6	(1.4)	201.7	(3.5)
September 1993	141.9	1.8	103.2	(1.0)	202.6	(2.1)
December 1993	141.9	1.9	101.8	1.7	203.5	2.0
March 1994	142.5	2.3	102.4	2.4	204.6	2.5
June 1994	144.7	2.6	102.5	(1.1)	202.9	0.6
September 1994	145.0	2.2	103.2	0.0	202.7	0.0
December 1994	146.0	2.8	104.0	2.1	201.9	(0.8)
March 1995	147.5	3.4	101.9	(0.5)	201.8	(1.4)
June 1995	149.8	3.5	103.0	0.5	199.3	(1.8)
September 1995	150.6	3.8	102.4	(0.8)	197.8	(2.4)
December 1995	150.7	3.2	101.6	(2.3)	199.2	(1.3)
March 1996	151.5	2.7	102.5	0.6	202.1	0.1
June 1996	153.0	2.1	105.8	2.7	206.7	3.6
September 1996	153.8	2.1	107.7	5.0	208.8	5.4
December 1996	154.4	2.4	110.1	8.0	213.9	7.1

	Retail Price Index		*Nationwide House Price Index*		*Halifax House Price Index*	
Quarter	*Index*	*% Annual Change*[1]	*Index*	*% Annual Change*[1]	*Index*	*% Annual Change*[1]
March 1997	155.4	2.5	111.3	8.3	216.7	7.0
June 1997	157.5	2.9	116.5	9.6	220.2	6.3
September 1997	159.3	3.5	121.2	11.8	222.6	6.4
December 1997	160.0	3.6	123.3	11.4	225.4	5.2
March 1998	160.8	3.4	125.5	12.0	228.4	5.3
September 1998	164.4	3.2	132.4	8.8	234.8	5.3
June 1998	163.4	3.7	130.1	11.0	232.1	5.3
December 1998	164.4	2.7	132.3	7.0	237.2	5.1
March 1999	164.1	2.0	134.6	7.0	238.6	4.4
June 1999	165.6	1.3	139.7	7.1	245.5	5.6
September 1999	166.2	1.1	144.4	8.6	255.5	8.4
December 1999	167.3	1.7	148.9	11.8	264.1	10.7
March 2000	168.4	2.6	155.0	14.1	273.1	13.5
June 2000	171.1	3.3	162.0	14.8	272.8	10.5
September 2000	171.7	3.3	161.5	11.2	275.9	7.7
December 2000	172.2	2.9	162.8	8.9	278.6	5.3
March 2001	172.2	2.2	167.5	7.8	281.7	3.1
June 2001	174.4	1.9	174.8	7.6	293.2	7.2
September 2001	174.6	1.7	181.6	11.7	302.4	9.2
December 2001	173.4	0.7	184.6	12.6	312.1	11.4
March 2002	174.5	1.3	190.2	12.7	329.1	15.6
June 2002	176.2	1.0	206.5	16.7	343.8	15.9
September 2002	177.6	1.7	221.1	19.7	365.8	19.0
December 2002	178.5	2.9	231.3	22.6	394.0	23.4
March 2003	179.2	3.0	239.3	25.8	405.6	23.9
June 2003	181.3	3.0	250.1	21.1	419.8	22.1
September 2003	181.8	2.9	258.9	17.1	435.3	18.9
December 2003	182.9	2.6	267.1	15.5	452.2	15.3
March 2004	183.8	2.6	279.7	16.9	478.3	17.9
June 2004	186.3	2.8	298.7	19.4	508.4	21.3
September 2004	187.4	3.1	308.8	19.3	522.0	20.1
December 2004	189.2	3.4	306.8	14.8	524.4	15.2
March 2005	189.7	3.2	307.4	9.9	527.1	9.7
June 2005	191.9	3.0	316.9	6.1	528.0	3.9
September 2005	192.6	2.8	317.2	2.7	537.5	3.0

Source: Datastream, Nationwide Building Society and Halifax Plc, respectively. ''NA'' indicates that the relevant figure is not available.

1 The percentage annual change is calculated in accordance with the following formula: In (x/y) where ''x'' is equal to the current quarter's index value and ''y'' is equal to the index value of the previous year's corresponding quarter.

All information contained in this prospectus in respect of the Nationwide House Price Index has been reproduced from information published by Nationwide Building Society. All information contained in this prospectus in respect of the Halifax House Price Index has been reproduced from information published by HBOS plc.

The Issuer has not participated in the preparation of that information nor made any enquiry with respect to that information. Neither the Issuer nor Nationwide Building Society nor HBOS plc makes any representation as to the accuracy of the information or has any liability whatsoever to you in connection with that information. Anyone relying on the information does so at their own risk.

LOAN ADMINISTRATION

The Administrator

Under the Administration Agreement, Barclays Bank PLC has been appointed as the Administrator of the Loans.

This section describes the Administrator's administration procedures based on the current Barclays Mortgage Servicing Policy dated October 2004 and the Barclays Group Residential Mortgages Collections and Recoveries Policy dated 6 July 2004. The Administrator will administer the Loans and their Related Security in the Portfolio in accordance with its current policies, but subject to the terms of the Administration Agreement. For a description of the Administrator's obligations under the Administration Agreement, see *Summary of the Key Transaction Documents – The Administration Agreement*.

As at the date of this Prospectus, the Administrator outsources the administration of its loans and their related security to GHL. Pursuant to the terms of the Administration Agreement, the Administrator will subcontract the administration of the Loans and their Related Security to GHL on the terms of those outsourcing contracts. Such outsourcing will not affect the obligations of the Administrator under the terms of the Administration Agreement.

A description of GHL and the terms of the existing outsourcing contracts is set out below (see *Delegation to GHL*).

Administration procedures

Administration procedures include:

- Insurance queries – answering and resolving queries and complaints, dealing with queries from insurers, dealing with changes to account cover, checking insurance cover and obtaining cover notes from borrowers where the borrower has third party insurance.
- Ensuring that adequate security for the loan is perfected and maintained.
- Deeds processing and management – arranging for the storage of title information documents, processing requests for deeds, obtaining deeds from solicitors, processing deeds received, and managing deeds control.
- Dealing with general account queries and processing account conversions and term amendments.
- Dealing with general correspondence and calls coming in from borrowers and others in relation to loans and mortgages.
- Dealing with all complaints.
- Dealing with all bulk mailings.
- Dealing with queries from insurance companies responding to customer enquiries, monitoring compliance with and servicing the loans, and management of loans in arrears.
- Notifying borrowers of changes to the interest rates applicable to the loans, whether due to a change in the variable rate applicable to any variable rate loan or any variable margin applicable to any tracker rate loan.

Payment of interest and principal

Pursuant to the terms and conditions of the loans, borrowers must pay the monthly amount required under the terms and conditions of the loans on or before each monthly instalment due date, within the month they are due. Interest accrues in accordance with the terms and conditions of each loan and is collected from borrowers monthly.

As regards Fixed Rate Loans, the borrower will continue to pay interest at the relevant fixed rate until the relevant fixed rate period ends in accordance with the borrower's offer conditions. After that period ends, and unless the borrower is offered (and it accepts) another option with an incentive rate, interest will be payable at Barclays Standard Variable Rate. Payments of interest and principal on Repayment Loans are payable monthly in arrear. Payments of interest on Interest-Only Loans are paid in the month that they are due.

Collections

Payments by borrowers in respect of amounts due under the Loans will be made into a collection account held by the Seller (the **Seller Collection Account**) at the Account Bank pursuant to the Bank Account

Agreement. All amounts credited to the Seller Collection Account are swept on a daily basis to the Issuer's GIC Account on the next Business Day after those amounts are received in the Seller Collection Account. The Seller will declare a trust over the Seller Collection Account in favour of the Issuer and the Security Trustee (the **Seller Collection Account Declaration of Trust**). The Issuer and the Security Trustee will be beneficiaries of the Seller Collection Account Declaration of Trust to the extent that amounts paid into the Seller Collection Account from time to time are referable to their interest in the Loans.

Borrowers are required to make payments by direct debit unless otherwise agreed. However, direct debits may be returned unpaid up to three days after the due date for payment and, under the Direct Debit Indemnity Scheme, a borrower may make a claim at any time to his or her bank for a refund of direct debit payments. In each case, the Administrator is permitted to reclaim from the GIC Account the corresponding amounts previously credited. In these circumstances, the usual arrears procedures described in – *Arrears and default procedures* will be taken.

Arrears and default procedures

A loan is identified as being delinquent when the account is one contractual monthly repayment, or more, in arrears.

The main aims of the Barclays Group Residential Mortgages Collections and Recoveries Policy are to:

- adopt a collections strategy that is best suited to a borrower's individual circumstances; and
- maximise collections and minimise losses while dealing with customers in a sensitive and professional manner.

The relevant collections strategy is determined generally by the risk category of the delinquent borrower. For low risk borrowers, up to five months may pass during which contact is made with the borrower and arrangements discussed to deal with the arrears, before the matter is referred to solicitors for litigation action. For high risk borrowers, the matter will be referred to solicitors more quickly – within 2.5 months. For medium risk borrowers, the matter will be referred to solicitors after up to 4 months of arrears.

During the period that a loan is delinquent but before the matter is referred to solicitors for further action, the borrower will be contacted at least monthly by letter and/or by phone. Attempts will be made to establish an arrangement with the borrower for clearance of the arrears in line with the individual circumstances of the borrower. Such arrangements may include:

- agreeing a period of months to clear the arrears – the maximum number of months allowed to clear arrears will depend on the risk category that the borrower falls into; or
- agreeing certain non-standard arrangements, including an interim payment arrangement, accepting payments of interest and insurance only for Repayment Loans, extending the term for repayment of the loan, deferring payment of interest, capitalising arrears, deferring payment of arrears pending sale of the property (where there is no shortfall expected) or agreeing to a sale of the property at a shortfall.

Payment arrangements ordered by an English court, however, must be accepted, even if they fall outside the policy criteria.

Where it has not been possible to reach an acceptable arrangement with the borrower for the clearance of his or her arrears, the matter is referred to a solicitor to undertake litigation to obtain an order for possession of the mortgaged property. Where appropriate, solicitors may be required to negotiate with borrowers to reach agreement for clearance of outstanding arrears with, or without, the implementation of a court order. No settlement can be agreed by a solicitor without clearing the proposal with the relevant team within Barclays Bank PLC or GHL.

If an order for possession of the mortgaged property is obtained, then a warrant will be obtained to enforce that order. At this stage, an offer from the borrower to clear the arrears may still be accepted.

A mortgage account is defined as being in default at the point of possession of the property, irrespective of the arrears position. If a property in possession has been sold and there is a shortfall, there will be on-going action to attempt to recover the amount of any remaining borrowing. In some cases, the shortfall will be written off where it is considered that any further action is unlikely to produce any sums in reduction of the shortfall or is too expensive compared with the amount of the shortfall or where there is no legal right to recover further (e.g. following bankruptcy of the borrower).

Where the mortgage was originally the subject of payment of a MIG premium, then a claim will be submitted for the amount of the shortfall. See further *The Loans – MIG policies*.

Arrears experience

For arrears and repossession experience for loans serviced by GHL for Barclays Bank PLC, including the Loans that are contained in the Portfolio, see *Characteristics of the Barclays' Traditional Mortgage Book*. All of the loans in the table were originated by GHL for Barclays Bank PLC, but not all of the loans form part of the Portfolio.

Delegation to GHL

On 29 October 2002, Barclays Bank PLC entered into a number of outsourcing contracts with GHL. The various outsourcing contracts took effect from 1 November 2002 and will expire on 30 April 2006. See *Non-Renewal of the Outsourcing Contracts* below.

Set out below is a brief description of GHL and relevant terms of the various outsourcing contracts between Barclays Bank PLC and GHL.

GHL

GHL is a limited company incorporated in England and Wales. It is 70 per cent. owned by Countrywide Financial Corporation (**Countrywide**). Countrywide has also agreed in principle to acquire Barclays Bank PLC's 30 per cent. interest in GHL. It was established in May 1999 to provide mortgage processing and servicing to third party customers. It is managed by Countrywide Financial Corporation, whose primary subsidiary, Countrywide Home Loans, Inc., is the second largest independent residential mortgage lender and servicer in the United States.

Terms of the Outsourcing Contracts

The terms described below are in addition to those set out in the introduction to this section *Delegation to GHL*.

Mortgage Origination Services Agreement:

The parties to this agreement are GHL and Barclays Bank PLC.

Pursuant to the terms of this agreement, GHL agrees to provide services in relation to the origination of the mortgage loans, from receipt of the application for a mortgage loan to completion of the loan, including underwriting services, corresponding (including negotiating with borrowers (or their agents) on behalf of Barclays Bank PLC) with potential borrowers, issuing offers to borrowers and releasing funds.

In providing the services, GHL agrees to act in compliance with Barclays Bank PLC's policies, including its Lending Policy. Barclays Bank PLC has the right to control all interfaces between the borrowers and Barclays Bank PLC.

Pursuant to the terms of this agreement, GHL warrants that each new mortgage loan, at the time of origination, was underwritten in accordance with Barclays Bank PLC's Lending Policy applicable to the type of loan being sought by the borrower. It also warrants that no error, omission, misrepresentation, negligence or fraud with respect to each new mortgage loan, including related documentation and the handling or treatment of direction of funds relating to new mortgage loans, has taken place on the part of GHL. If there is a breach of this warranty, and the aggregate number of breaches exceeds a certain threshold level, then GHL has the right to cure the breach or to arrange for the sale of the relevant mortgage loan to a third party with payment of the capital balance to Barclays Bank PLC.

Mortgage Services Agreement

The parties to this agreement are GHL and Barclays Bank PLC.

Pursuant to the terms of this agreement, GHL agrees to provide services in relation to the servicing of Barclays mortgage loans from drawdown of the mortgage loan to its redemption, including providing the services outlined under *Loan Administration - Administration Procedures* above, but excluding the services to be performed by GHL under the Payment Transmission Services Agreement and the Arrears Management and Collection Agreement.

In providing the services, GHL agrees to act in compliance with Barclays Bank PLC's policies, including its Mortgage Servicing Policy, Complaints Policy and Branding Policy. Barclays Bank PLC has the right to control all interfaces between the borrowers and Barclays Bank PLC.

Payment Transmission Services Agreement

The parties to this agreement are GHL and Barclays Bank PLC.

Pursuant to the terms of this agreement, GHL agrees to provide services in relation to the receipt, transfer and processing of payments arising in connection with mortgage loans from drawdown of the loan to its redemption (including administration of direct debits, processing of partial and full loan redemptions, reconciling accounts and the production of monthly and annual borrower statements), but excluding the services covered by the Mortgage Services Agreement and the Arrears Management and Collection Agreement.

In providing the services, GHL agrees to act in compliance with Barclays Bank PLC's policies, including its Mortgage Servicing Policy, Complaints Policy and Branding Policy. Barclays has the right to control all interfaces between the borrowers and Barclays Bank PLC.

Arrears Management and Collection Agreement

The parties to this agreement are GHL, Barclays Bank PLC and Woolwich plc.

Pursuant to the terms of this agreement, GHL agrees to provide services in relation to all aspects of pre- and post-delinquency management of mortgage properties and accounts, including management of properties and accounts in arrears, litigation action, management and administration of the sale of a property in possession, making claims under any applicable MIG policy and management of the recovery of losses suffered following the sale of a mortgaged property.

In providing the services, GHL agrees to act in compliance with Barclays Bank PLC's policies, including its Mortgage Servicing Policy, Complaints Policy and Branding Policy. Barclays Bank PLC has the right to control all interfaces between the Borrowers and Barclays Bank PLC.

Barclays Bank PLC will remain at all times primarily liable for the performance of the servicing obligations under the Administration Agreement and it is not expected that any changes in the structure of the servicing arrangements will materially and adversely impact on the provision of the administration services.

Non-Renewal of the Outsourcing Contracts

The arrangements between GHL and Barclays Bank PLC expire on 30 April 2006, and Barclays Bank PLC has notified GHL of its intention not to renew those arrangements. As from 1 May 2006 (or earlier, if agreed with GHL), Barclays Bank PLC will resume in-house responsibility for mortgage administration. However, to the extent Barclays Bank PLC requires continuing assistance from GHL, or the owner of the Countrywide software, in fulfilling that responsibility, Barclays Bank PLC has certain contractual rights to that assistance under the terms of the outsourcing contracts.

GHL has a contractual obligation to provide Barclays Bank PLC with all reasonable assistance to ensure an orderly migration to Barclays Bank PLC of the provision of the services formerly provided by GHL. This includes an obligation to provide, and to use all reasonable endeavours to procure from Countrywide, rights to the continued use of their technology for so long as reasonably required by Barclays Bank PLC to properly transition the services formerly provided by GHL. Barclays Bank PLC will continue to administer the Loans and their Related Security in the Portfolio in accordance with its current policies and intends to licence GHL's technology for a period of three years.

Barclays Bank PLC also has the right to call for the transfer to it of contracts and systems (other than those owned by GHL or Countrywide) used to provide the services formerly provided by GHL. Additionally, GHL staff working on Barclays Bank PLC's mortgage operations are expected to remain in their current locations but will automatically transfer to, and become employees of, Barclays Bank PLC.

Barclays Bank PLC will remain at all times primarily liable for the performance of the servicing obligations under the Administration Agreement and the Issuer does not believe that any changes in the structure of the servicing arrangements will materially and adversely impact on the provision of the administration services. See *Risk Factors — Transfer of administration services to Barclays Bank PLC*.

EXPECTED AVERAGE LIVES OF THE NOTES

The average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Mortgages and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Notes can be made based on certain assumptions. For example, based on the assumptions that:

(1) the Issuer exercises its option to redeem the Notes on the Interest Payment Date falling in January 2011;

(2) the Loans are subject to a constant annual rate of repayment of between 5 and 40 per cent. per annum calculated by reference to the amount of principal repaid under the Loans during the period from and including the Issue Date to and including the end of each Interest Period;

(3) the assets of the Issuer are not sold by the Security Trustee except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Notes;

(4) no Borrowers are offered and accept an extension of the mortgage term and the Seller is not required to repurchase any Loan as a result of a breach of warranty, Further Advance or Product Switch;

(5) the Issuer Security is not enforced;

(6) no event occurs that would cause interest on any class of the Notes to be deferred;

(7) the Issue Date is in December 2005; and

(8) the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes and the Class D Notes represent 30 per cent., 66.75 per cent., 1.25 per cent., 0.8 per cent. and 1.2 per cent., respectively of the aggregate initial Sterling Equivalent Principal Amount Outstanding of the Notes as at the Issue Date.

	Possible Average Life of Class A1 Notes (years)	**Possible Average Life of Class A2 Notes (years)**	**Possible Average Life of Class B Notes (years)**	**Possible Average Life of Class C Notes (years)**	**Possible Average Life of Class D Notes (years)**
0% CPR	3.87	5.06	5.06	5.06	5.06
10% CPR	1.36	4.70	5.06	5.06	5.06
15% CPR	0.99	4.25	5.06	5.06	5.06
20% CPR	0.78	3.79	5.06	5.06	5.06
25% CPR	0.65	3.36	5.06	5.06	5.06
30% CPR	0.56	2.96	5.06	5.06	5.06
35% CPR	0.49	2.61	5.06	5.06	5.06
40% CPR	0.44	2.26	4.56	4.56	4.56

Assumptions (1), (7) and (8) reflects the current intention of the Issuer but no assurance can be given that such assumption will occur as described.

Assumptions (2), (3), (4), (5), and (6) relate to circumstances which are not predictable.

The average lives of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates above will prove in any way to be realistic. They must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of the average lives estimated above, see *Risk Factors – Considerations relating to yield, prepayments and mandatory redemptions*, above.

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. It does not apply to the Residual Certificates. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. Prospective Noteholders 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.

A. Interest on the Notes

Payment of interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes continue to be listed on a ''recognised stock exchange'' within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (the ''Act''). The London Stock Exchange is a recognised stock exchange. Under HM Revenue and Customs published practice, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the United Kingdom Listing Authority and admitted to trading by the London Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid to a person who belongs in the United Kingdom for United Kingdom tax purposes and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes 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 HM Revenue and Customs has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely 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.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the lower rate (currently 20 per cent.). 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 Noteholder, HM Revenue and Customs can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Noteholders who are individuals may wish to note that HM Revenue and Customs 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 interest to or receives interest for the benefit of an individual. Information so obtained may, in certain circumstances, be exchanged by HM Revenue and Customs with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, 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. However, for a transitional period, Belgium, Luxembourg and Austria 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 agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

Further United Kingdom Income Tax Issues

Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder (other

than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Noteholders.

B. United Kingdom Corporation Tax Payers

In general, Noteholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

C. Other United Kingdom Tax Payers

Taxation of Chargeable Gains

The Sterling Notes will constitute ''qualifying corporate bonds'' within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Noteholder of a Note will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

A disposal of Euro Notes or Dollar Notes by an individual Noteholder who is resident or ordinarily resident in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which those notes are attributable, may give rise to a chargeable gain or allowable loss for the purposes of the United Kingdom taxation of chargeable gains.

Accrued Income Scheme

On a disposal of Notes by a Noteholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Chapter II of Part XVII of the Act, if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable.

The Notes are likely to constitute variable rate securities for the purposes of the accrued income scheme. Under the accrued income scheme on a disposal of Notes by a Noteholder who is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable the Noteholder may be charged to income tax on an amount of interest which is just and reasonable in the circumstances. The purchaser of such a Note will not be entitled to any equivalent tax credit under the accrued income scheme to set against any actual interest received by the purchaser in respect of the Notes (which may therefore be taxable in full).

D. Stamp Duty and Stamp Duty Reserve Tax (SDRT)

No United Kingdom stamp duty or SDRT is payable on a transfer of the Notes.

UNITED STATES FEDERAL INCOME TAXATION

Any U.S. federal tax discussion in this Prospectus was not intended or written to be used, and cannot be used, by any taxpayer for purposes of avoiding U.S. federal income tax penalties that may be imposed on the taxpayer. Any such tax discussion was written to support the promotion or marketing of the Notes to be issued or sold pursuant to this Prospectus. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The following is a general summary of the principal U.S. federal income tax consequences that may be relevant with respect to the purchase, ownership and disposition of the Notes. This summary addresses only the U.S. federal income tax considerations of holders that are initial purchasers of the Notes at the initial offering price pursuant to this offering and that will hold the Notes as capital assets. It is not a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Notes. In particular, this summary does not address tax considerations applicable to holders that are subject to special tax rules, including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in securities or currencies; (iv) tax-exempt entities; (v) regulated investment companies; (vi) persons that will hold the Notes as part of a ''hedging'' or ''conversion'' transaction or as a position in a ''straddle'' or as a part of a ''synthetic security'' or other integrated transaction for U.S. federal income tax purposes; (vii) persons that own (or are deemed to own) 10 per cent. or more of the voting shares of the Issuer; (viii) partnerships or other pass-through entities or persons who hold the Notes through partnerships or other pass-through entities; (ix) persons that have a ''functional currency'' other than the U.S. dollar; and (x) persons who have ceased to be U.S. citizens or to be taxed as resident aliens. Further, this summary does not address alternative minimum tax consequences or the indirect effects on the holders of equity interests in a holder of Notes.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended, (the ***Code****), U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date of this Prospectus. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.*

For the purposes of this summary, a **U.S. Holder** *is a beneficial owner of Notes that is, for U.S. federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation or other entity treated as a corporation, created or organised in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if (x) a court within the United States is able to exercise primary supervision over its administration and (y) one or more U.S. persons have the authority to control all of the substantial decisions of such trust. A* **Non-U.S. Holder** *is a beneficial owner of Notes (other than a partnership) that is not a U.S. Holder.*

There are no authorities addressing similar transactions involving securities issued by an entity with terms similar to those of the Notes. Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of Notes.

General

The Issuer intends to take the position that the Notes represent, and each holder of a Note, by acceptance of an interest in such Note agrees to treat the Note as, debt for U.S. federal income tax purposes. In this regard, the Issuer has obtained an opinion from Allen & Overy LLP that while not free from doubt, and although there is no precedent directly on this point, when issued, the Class A Notes, the Class B Notes and the Class C Notes will, and the Class D Notes should be treated as debt for U.S. federal income tax purposes. This opinion is based upon, among other things, certain representations and assumptions authorised by the Issuer. In addition, only the Issuer may rely upon the foregoing opinion and such opinion will not be binding upon the U.S. Internal Revenue Service (the **IRS**) or the courts. Prospective investors should consult their own tax advisors regarding the treatment of each class of the Notes for U.S. federal income tax purposes.

In addition, prospective investors should consider the tax consequences of an investment in Notes, if such Notes were characterised as equity interests, as described below under ''Tax Considerations Applicable to Notes Characterised as Equity for U.S. Federal Income Tax Purposes.'' The foregoing discussion, except for the discussion under ''Tax Considerations Applicable to Notes Characterised as Equity for U.S. Federal Income Tax Purposes'' below assumes that the Notes will be treated as debt for U.S. federal income tax purposes (hereinafter a **Debt Note** or **Debt Notes**).

Payments of Interest

Assuming a Debt Note is treated as debt for U.S. federal income tax purposes such Debt Note will generally be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Because the Issuer is permitted to defer interest payments on the Class B Notes, the Class C Notes and the Class D Notes, all interest payable on these Debt Notes will be treated as original issue discount (**OID**) if there is more than a remote likelihood that the Issuer will defer interest payments. A U.S. Holder must include OID in ordinary income on a constant yield-to-maturity basis, whether or not it receives a cash payment on an Interest Payment Date. The Issuer believes that the likelihood of interest on the Class B Notes, the Class C Notes or the Class D Notes being deferred is for this purpose remote, but no assurances or representations are being provided in this regard. Accordingly, the Issuer believes the Class B Notes, the Class C Notes and the Class D Notes will not be treated as issued with OID. However, there is no authority addressing when the likelihood of a contingency such as the deferral of interest should be considered ''remote'' and there can be no assurance the IRS will agree with this position. The discussion herein assumes that the Debt Notes will not be issued with OID. Investors should consult their own tax advisors regarding the application of the OID rules, including the possible application of Section 1272(a)(6) of the Code.

A U.S. Holder utilising the cash method of accounting for U.S. federal income tax purposes that receives an interest payment denominated in a currency other than U.S. dollars (a **foreign currency**) will be required to include in income the U.S. dollar value of that interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

If interest on a Debt Note is payable in a foreign currency, an accrual basis U.S. Holder may determine the amount of the interest income to be recognised in accordance with either of two methods. Under the first accrual method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, the part of the period within the taxable year. Under the second accrual method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. If the last day of the accrual period is within five Business Days of the date the interest payment is actually received, an electing accrual basis U.S. Holder may instead translate that interest payment at the exchange rate in effect on the day of actual receipt. Any election to use the second accrual method will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder and will be irrevocable without the consent of the IRS.

A U.S. Holder utilising either of the foregoing two accrual methods will recognise ordinary income or loss with respect to accrued interest income on the date of receipt of the interest payment denominated in a foreign currency (including a payment attributable to accrued but unpaid interest upon the sale, exchange or other disposition of a Debt Note). The amount of ordinary income or loss will equal the difference between the U.S. dollar value of the interest payment received (determined on the date the payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during that accrual period (as determined under the accrual method utilised by the U.S. Holder).

Foreign currency received as interest on the Debt Notes will have a tax basis equal to its U.S. dollar value at the time the interest payment is received. Gain or loss, if any, realised by a U.S. Holder on a sale or other disposition of that foreign currency will be ordinary income or loss and will generally be income from sources within the United States for foreign tax credit limitation purposes.

Interest income on the Debt Notes will be treated as foreign source income for U.S. federal income tax purposes, which may be relevant in calculating a U.S. Holder's foreign tax credit limitation for U.S. federal income tax purposes. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. Interest paid in taxable years beginning before 1 January 2007, with certain exceptions, will be ''passive'' or ''financial services'' income, while interest paid in taxable years beginning after 31 December 2006 will be ''passive category'' or ''general category'' income. The foreign tax credit rules are complex, and U.S. Holders should consult their own tax advisors regarding the availability of a foreign tax credit and the application of the limitation in their particular circumstances.

Subject to the discussion of backup withholding below, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on interest received on a Debt Note unless that income is effectively connected with the conduct by that Non-U.S. Holder of a trade or business within the United States.

Sale, Exchange or other Disposition of the Debt Notes

A U.S. Holder's tax basis in a Debt Note will generally equal its ''U.S. dollar cost'', increased by any amount includable in the U.S. Holder's income as OID and reduced by the amount of any payments received by the U.S. Holder with respect to the Debt Note that are not ''qualified stated interest'' for U.S. federal income tax purposes. The U.S. dollar cost of a Debt Note purchased with a foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of a Debt Note traded on an established securities market (as defined in the applicable U.S. Treasury Regulations) that is purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder will generally recognise gain or loss on the sale, exchange or other disposition of a Debt Note equal to the difference between the amount realised on the sale, exchange or other disposition and the tax basis in the Debt Note. The amount realised on the sale, exchange or other disposition of a Debt Note for an amount of foreign currency will be the U.S. dollar value of that amount on (i) the date the payment is received in the case of a cash basis U.S. Holder, (ii) the date of disposition in the case of an accrual basis U.S. Holder, or (iii) the settlement date for the sale in the case of a Debt Note traded on an established securities market (as defined in the applicable U.S. Treasury Regulations), that is sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects).

Gain or loss recognised by a U.S. Holder on the sale, exchange or other disposition of a Debt Note that is attributable to changes in currency exchange rates will be ordinary income or loss and will constitute principal exchange gain or loss. Principal exchange gain or loss will equal the difference between the U.S. dollar value of the U.S. Holder's purchase price of the Debt Note in foreign currency determined on the date of the sale, exchange or other disposition, and the U.S. dollar value of the U.S. Holder's purchase price of the Debt Note in foreign currency determined on the date the U.S. Holder acquired the Debt Note. The foregoing principal exchange gain or loss will be realised only to the extent of the total gain or loss realised by the U.S. Holder on the sale, exchange or other disposition of the Debt Note, and will generally be treated as from sources within the United States for U.S. foreign tax credit limitation purposes.

Any gain or loss recognised by a U.S. Holder in excess of principal exchange gain or loss recognised on the sale, exchange or other disposition of a Debt Note will generally be U.S. source capital gain or loss. **Prospective investors should consult their own tax advisors with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that hold the Notes for more than one year) and capital losses (the deductibility of which is subject to limitations).**

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange or other disposition of a Debt Note equal to the U.S. dollar value of the foreign currency at the time of the sale, exchange or other disposition. Gain or loss, if any, realised by a U.S. Holder on a sale, exchange or other disposition of that foreign currency will be ordinary income or loss and will generally be income from sources within the United States for foreign tax credit limitation purposes.

Subject to the discussion of backup withholding below, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realised on the sale, exchange or other disposition of a Debt Note unless: (i) that gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States, (ii) in the case of any gain realised by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition and certain other conditions are met, or (iii) the Non-U.S. Holder is subject to tax pursuant to the provisions of the Code applicable to certain U.S. expatriates.

Tax Considerations Applicable to Notes Characterised as Equity for U.S. Federal Income Tax Purposes

Distributions

Subject to the passive foreign investment company rules below, the gross amount of any distribution by the Issuer of cash or property (including any amounts withheld in respect of any applicable withholding tax) actually or constructively received by a U.S. Holder with respect to a Note that is treated as an equity interest in the Issuer for U.S. federal income tax purposes (hereinafter a **share** or **shares**) will be taxable to a U.S. Holder as a dividend to the extent of the Issuer's current and accumulated earnings and profits as determined under U.S. federal income tax principles. The U.S. Holder will not be eligible for any dividends received deduction in respect of the dividend otherwise allowable to corporations. Dividends paid by the

Issuer will not be eligible for the reduced income tax rate applicable to certain U.S. non-corporate shareholders that receive certain ''qualified dividends'' paid by U.S. corporations and ''qualified foreign corporations''. Distributions in excess of earnings and profits will be non-taxable to the U.S. Holder to the extent of, and will be applied against and reduce, the U.S. Holder's adjusted tax basis in the shares. Distributions in excess of earnings and profits and such adjusted tax basis will generally be taxable to the U.S. Holder as capital gain from the sale or exchange of property. The Issuer currently does not calculate its earnings and profits under U.S. Federal income tax principles. If a corporation does not report to a shareholder the portion of a distribution that exceeds earnings and profits, the distribution will generally be taxable as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. Therefore, distributions by the Issuer with respect to shares will generally be treated as dividends. The amount of any distribution of property other than cash will be the fair market value of that property on the date of distribution.

Dividends paid in a foreign currency, including the amount of any withholding tax thereon, will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the foreign currency calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the foreign currency is converted into U.S. dollars. If the foreign currency is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognise foreign currency gain or loss in respect of the dividend. If the foreign currency received as a dividend is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currency will be treated as ordinary income or loss and will generally be treated as income from sources within the United States for U.S. foreign tax credit limitation purposes.

Dividends received by a U.S. Holder with respect to shares will be treated as foreign source income for the purpose of calculating that holder's foreign tax credit limitation. Subject to certain conditions and limitations, foreign country income tax withheld on dividends may be deducted from taxable income or credited against a U.S. Holder's U.S. federal income tax liability. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. Dividends paid in taxable years beginning before 1 January 2007, with certain exceptions, will be ''passive'' or ''financial services'' income, while interest paid in taxable years beginning after 31 December 2006 will be ''passive category'' or ''general category'' income. The foreign tax credit rules are complex, and U.S. Holders should consult their own tax advisors regarding the availability of a foreign tax credit and the application of the limitation in their particular circumstances.

Subject to the discussion of backup withholding below, a Non-US Holder generally will not be subject to U.S. federal income tax or withholding tax with respect to distributions received on a share unless that income is effectively connected with the conduct by that Non-U.S. Holder of a trade or business within the United States.

Sale, Exchange or Other Disposition of the Shares

Subject to the passive foreign investment company rules discussed below, a U.S. Holder generally will recognise gain or loss for U.S. federal income tax purposes upon the sale, exchange or other disposition of shares in an amount equal to the difference between the U.S. dollar value of the amount realised from that sale or exchange and the U.S. Holder's tax basis for those shares. That gain or loss will be a capital gain or loss and generally will be treated as from sources within the United States. **Prospective investors should consult their own tax advisors with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that held the shares for more than one year) and capital losses (the deductibility of which is subject to limitations).**

If a U.S. Holder receives foreign currency upon a sale, exchange or other disposition of shares, gain or loss, if any, recognised on the subsequent sale, conversion or disposition of such foreign currency will be ordinary income or loss, and will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. However, if such foreign currency is converted into U.S. dollars on the date received by the U.S. Holder, the U.S. Holder generally should not be required to recognise any gain or loss on that conversion.

Subject to the discussion of backup withholding below, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realised on the sale or exchange of shares unless: (i) that gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States, (ii) in the case of any gain realised by an individual Non-U.S. Holder, that holder is present in the

United States for 183 days or more in the taxable year of the sale or exchange and certain other conditions are met, or (iii) the Non-U.S. Holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates.

Redemption of the Shares

The redemption of shares by the Issuer will be treated as a sale of the redeemed shares by the U.S. Holder (which is taxable as described above under *Sale, Exchange or Other Disposition of Shares*) or, in certain circumstances, as a distribution to the U.S. Holder (which is taxable as described above under *Distributions*).

Passive Foreign Investment Company Considerations

A corporation organised outside the United States generally will be classified as a ''passive foreign investment company'' (a **PFIC**) for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either: (i) at least 75 per cent. of its gross income is ''passive income'', or (ii) on average at least 50 per cent. of the gross value of its assets is attributable to assets that produce ''passive income'' or are held for the production of passive income. In arriving at this calculation, the Issuer must also include a *pro rata* portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25 per cent. interest. Passive income for this purpose generally includes dividends, interest, royalties, rents, annuities and gains from commodities and securities transactions. It is expected that the Issuer will be treated as a PFIC for U.S. federal income tax purposes.

Because the Issuer will be a PFIC, upon receipt of a distribution on, or sale of, shares, a U.S. Holder will be required to allocate to each day in its holding period with respect to the shares, a *pro rata* portion of any distributions received on the shares which are treated as an ''excess distribution'' (generally, any distributions received by the U.S. Holder on the shares in a taxable year that are greater than 125 per cent. of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the shares). Any amount of an excess distribution (which term includes gain on the sale of stock) treated as allocable to a prior taxable year will be subject to U.S. federal income tax at the highest applicable rate for the year in question, plus an interest charge on the amount of tax deemed to be deferred. A U.S. Holder of shares will generally be subject to similar rules with respect to distributions to the Issuer by, and dispositions by the Issuer of the stock of, any direct or indirect subsidiaries of the Issuer that are also PFICs.

The foregoing rules with respect to distributions and dispositions may be avoided if a U.S. Holder is eligible for and timely makes a mark-to-market election with respect to shares, provided that these shares are ''marketable'' within the meaning of U.S. Treasury Regulations. **U.S. Holders of shares should consult their own tax advisors as to whether these shares are eligible for the mark-to-market election**. Such election generally cannot be revoked without the consent of the IRS unless the shares cease to be marketable. A U.S. Holder that makes a mark-to-market election must include in ordinary income for each year an amount equal to the excess, if any, of the fair market value of the shares at the close of the taxable year over the U.S. Holder's adjusted basis in the shares. An electing U.S. Holder may also claim an ordinary loss deduction for the excess, if any, of the U.S. Holder's adjusted basis in the shares over the fair market value of the shares at the close of the taxable year, but only to the extent of any net mark-to-market gains for prior years. In the case of a mark-to-market election, gains from an actual sale or other disposition of the shares will be treated as ordinary income, and any losses incurred on a sale or other disposition of the shares will be treated as an ordinary loss to the extent of any net mark-to-market gains for prior years. If the Issuer is a PFIC for any year in which the U.S. Holder owns the shares but before a mark-to-market election is made, the interest charge rules described above will apply to any mark-to-market gain recognised in the year the election is made.

The foregoing rules with respect to distributions and dispositions may also be avoided if a U.S. Holder is eligible for and timely makes a valid **QEF election**. A U.S. Holder that makes this election will be required in each taxable year to include (a) as long-term capital gain its *pro rata* share of the Issuer's net capital gain (*i.e.,* the excess of net long-term capital gain over net short-term capital loss for the Issuer's taxable year ending with or within the U.S. Holder's taxable year) and (b) as ordinary income its *pro rata* share of the Issuer's ordinary earnings (*i.e.,* the excess of current earnings and profits for such taxable year over such net capital gain), regardless of whether the Issuer distributes such amounts to the U.S. Holder. For this purpose, a U.S. Holder's *pro rata* share of the Issuer's ordinary income and net capital gain is the amount which would have been distributed to the U.S. Holder if, on each day during its taxable year, the Issuer had distributed to each holder of an equity interest a *pro rata* share of that day's rateable share of the Issuer's ordinary earnings and net capital gain for such year. A U.S. Holder will not be eligible for the dividends received deduction in

respect of such income or gain. In addition, any losses in a taxable year will not be available to the U.S. Holder and may not be carried back or forward in computing the Issuer's ordinary earnings and net capital gain in other taxable years. If the Issuer distributes the income or gain that was previously included in the U.S. Holder's gross income, such distributions will be non-taxable to the U.S. Holder. For purposes of determining gain or loss on the disposition (including redemption or retirement) of shares, a U.S. Holder's initial tax basis in the shares will be increased by the amount so included in gross income with respect to the shares and decreased by the amount of any non-taxable distributions on the shares. In general, a U.S. Holder making a timely QEF election will recognise, on the sale or disposition (including redemption and retirement) of shares, capital gain or loss equal to the difference, if any, between the amount realised upon such sale or disposition and that U.S. Holder's adjusted tax basis in those shares.

Each U.S. Holder who desires to make a QEF election must individually make the QEF election. The QEF election is effective for the U.S. Holder's taxable year for which it is made and all subsequent taxable years and may not be revoked without the consent of the IRS. In general, a U.S. Holder must make a QEF election on or before the due date for filing its income tax return for the first year to which the QEF election will apply.

The QEF election is effective only if certain required information is made available by the Issuer. There can be no assurances that the Issuer will provide such information to U.S. Holders and therefore there can be no assurances that a U.S. Holder will be able to make a QEF election. Although the Issuer has not finally determined whether it will provide such information, the Issuer currently does not intend to do so. U.S. Holders should consult their own tax advisors as to the procedures required to be followed in making a QEF election and all the consequences of making and of failure to make a QEF election.

Each U.S. Holder must make an annual return on IRS Form 8621, reporting distributions received and gains realised with respect to each PFIC in which it holds a direct or indirect interest.

Prospective purchasers should consult their own tax advisors regarding the status of the Issuer as a PFIC, whether an investment in any class of the Notes may be treated as an investment in PFIC stock and the consequences of an investment in a PFIC.

Backup Withholding and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments on the Notes and proceeds of the sale, exchange or other disposition of the Notes to U.S. Holders. The Issuer, its agent, a broker, or any paying agent, as the case may be, may be required to withhold tax from any payment that is subject to backup withholding if the U.S. Holder fails to furnish the U.S. Holder's taxpayer identification number, to certify that such U.S. Holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain U.S. Holders (including, among others, corporations) are not subject to the backup withholding and information reporting requirements. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder generally may be claimed as a credit against such U.S. Holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS. **Prospective investors in the Notes should consult their own tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.**

UNITED STATES ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended (**ERISA**), and Section 4975 of the Code, impose certain restrictions on (a) employee benefit plans (as defined in Section 3(3) of ERISA) subject to ERISA (**Plans**), (b) plans described in Section 4975(e)(1) of the Code, including individual retirement accounts and Keogh plans (also **Plans**), (c) any entities whose underlying assets include plan assets by reason of a plan's investment in such entities (together with Plans, **Plan Investors**) and (d) persons who have certain specified relationships to such Plans (''parties in interest'' under ERISA and ''disqualified persons'' under Section 4975 of the Code; collectively, **Parties in Interest**). An insurance company's general account may be deemed to include assets of the Plans that have an interest in such account (e.g. through the purchase of an annuity contract), in which case the insurance company would be treated as a Plan Investor and a Party in Interest with respect to the investing Plan by virtue of such investment. ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA and prohibits certain transactions between a Plan and Parties in Interest with respect to the Plan.

Before authorising any investment in the Class A Notes, the Class B Notes or the Class C Notes, fiduciaries of Plans should consider, among other matters, (a) ERISA's fiduciary standards (including its prudence and diversification standards), (b) whether such fiduciaries have the authority to make such investment in such Notes under the applicable Plan investment policies and governing instruments, and (c) rules under ERISA and Section 4975 of the Code that prohibit Plan fiduciaries from causing a Plan to engage in a ''prohibited transaction''. The Class D Notes may not be purchased or held by Plan Investors.

Section 406 of ERISA and Section 4975 of the Code prohibit Plan Investors from, among other things, engaging in certain transactions involving ''plan assets'' with persons who are Parties in Interest with respect to such Plan Investors. A violation of these ''prohibited transaction'' rules may result in the imposition of an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code.

The United States Department of Labor (**DOL**) has issued a regulation (29 C.F.R. §2510.3-101) concerning when the assets of a Plan will be considered to include the assets of an entity in which the Plan invests (the **Plan Asset Regulation**). This regulation provides that, as a general rule, the underlying assets and properties of corporations, partnerships, trusts and certain other entities in which a Plan purchases an ''equity interest'' will be deemed for purposes of ERISA to be assets of the investing Plan unless certain exceptions apply.

The Plan Asset Regulation defines an ''equity interest'' as any interest in an entity other than an interest that is treated as indebtedness under applicable local law and which has no substantial equity features. Accordingly, if a Plan invests in the Class A Notes, the Class B Notes or the Class C Notes, the assets of such Plan should not be deemed to include the assets of the Issuer or the Security by reason of such investment.

Even assuming that the Class A Notes, the Class B Notes or the Class C Notes will not be treated as ''equity interests'' under the Plan Asset Regulation, it is possible that an investment in such Notes by a Plan Investor could be treated as a prohibited transaction under ERISA or Section 4975 of the Code (e.g. the direct or indirect transfer or lending to, or use by or for the benefit of, a Party in Interest of Plan assets). The DOL has issued five prohibited transaction class exemptions (**PTCEs**) that may provide exemptive relief for prohibited transactions arising from a Plan's purchase and/or holding of Notes. Among those exemptions are: PTCE 90-1, which exempts certain transactions involving insurance company pooled separate accounts; PTCE 95-60, which exempts certain transactions involving insurance company general accounts; PTCE 91-38, which exempts certain transactions involving bank collective investment funds; PTCE 84-14, which exempts certain transactions effected on behalf of a Plan by a ''qualified professional asset manager''; and PTCE 96-23, which exempts certain transactions effected on behalf of a Plan by an ''in-house asset manager''. Because such exemptions impose a range of conditions and do not provide an exemption to all of Section 4975 of the Code's and ERISA's prohibited transaction rules, any Plan fiduciary considering the investment of Plan assets in Class A Notes, Class B Notes or Class C Notes should consult with its legal counsel.

In response to the decision of the United States Supreme Court in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 540 U.S. 86 (1993), pursuant to which assets held in an insurance company's general account may be treated as ''plan assets'' to the extent that an insurance company has issued to Plan Investors certain types of annuity contracts, ERISA Section 401(c) was enacted. The DOL issued final regulations under Section 401(c) of ERISA on 5 January 2000. The plan asset status of insurance company

separate accounts is unaffected by Section 401(c) of ERISA and the final regulations thereunder, and separate account assets continue to be treated as the assets of any such Plan invested in a separate account. Any insurance company proposing to purchase any Notes using the assets of its general account should consider the extent to which such investment would be subject to the requirements of ERISA in light of the United States Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank* and under any subsequent guidance that may become available relating to that decision. In particular, such an insurance company should consider the exemptive relief granted by the DOL for transactions involving insurance company general accounts in PTCE 95-60, 60 Fed. Reg. 35925 (12 July 1995), Section 401(c) of ERISA and the regulations thereunder.

Each purchaser of the Class A Notes, the Class B Notes or the Class C Notes will be deemed to have represented and agreed that (i) either it is not a Plan Investor and is not purchasing such Notes with the assets of any Plan or that the use of such assets to acquire, hold or dispose of such Notes will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, and (ii) with respect to transfers, it will either not transfer such Notes to any Plan Investor or that any such transfer will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code. Each purchaser and/or holder of Class D Notes will be deemed to have represented and agreed that either (i) it is not a Plan Investor or (ii) it is an insurance company and that the following requirements are satisfied: (A) the Class D Notes will be purchased and held by the insurance company's general account (and not a separate account of the insurance company), and (B) on each day during the entire period that such purchaser's insurance company general account holds a Class D Note, either (x) the requirements of the final regulations under Section 401(c) of ERISA will be satisfied such that no portion of the assets of such general account will constitute Plan assets, or (y) for any other reason, no portion of the assets of such insurance company general account constitute Plan assets.

Any Plan fiduciary that proposes to cause a Plan Investor to purchase Notes should consult with its counsel with respect to the potential applicability of ERISA and the Code to such investment and whether any exemption would be applicable and determine on its own whether all conditions of such exemption or exemptions have been satisfied.

Governmental plans, foreign plans, and certain church plans are not subject to ERISA, and are also not subject to the prohibited transaction provisions of Section 4975 of the Code. However, state and foreign laws or regulations may apply to the investment and management of the assets of such plans and may contain fiduciary duty and prohibited transaction provisions similar to those described above. Accordingly, fiduciaries of governmental, foreign, and church plans should consult with their legal counsel as to the impact of their applicable laws on their proposed investment in Notes.

UNITED STATES LEGAL INVESTMENT CONSIDERATIONS

None of the Notes will constitute ''mortgage related securities'' under the United States Secondary Mortgage Market Enhancement Act of 1984, as amended.

No representation is made as to the proper characterisation of the Notes for legal investment purposes, financial institutional regulatory purposes, or other purposes, or as to the ability of particular investors to purchase the Notes under applicable legal investment restrictions. These uncertainties may adversely affect the liquidity of the Notes. Accordingly, all institutions whose investment activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult with their legal advisors in determining whether and to what extent the Notes constitute legal investment or are subject to investment, capital or other restrictions.

SUBSCRIPTION AND SALE

Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Goldman Sachs International, Merrill Lynch International, Morgan Stanley & Co. International Limited and UBS Limited (together, the **Managers**) have, pursuant to a subscription agreement dated on or about 16 December 2005 amongst themselves and the Issuer (the **Subscription Agreement**), severally agreed with the Issuer (subject to certain conditions) to subscribe and pay for (i) the Class A1a Notes at the issue price of 100 per cent. of the principal amount of the Class A1a Notes, (ii) the Class A2a Notes at the issue price of 100 per cent. of the principal amount of the Class A2a Notes, (iii) the Class A1b Notes at the issue price of 100 per cent. of the principal amount of the Class A1b Notes, (iv) the Class A2b Notes at the issue price of 100 per cent. of the principal amount of the Class A2b Notes, (v) the Class A1c Notes at the issue price of 100 per cent. of the principal amount of the Class A1c Notes, (vi) the Class A2c Notes at the issue price of 100 per cent. of the principal amount of the Class A2c Notes and (vii) the Class A2d Notes at the issue price of 100 per cent. of the principal amount of the Class A2d Notes. Barclays Bank PLC has, pursuant to the Subscription Agreement agreed with the Issuer to subscribe and pay for (i) the Class Ba Notes at the issue price of 100 per cent. of the principal amount of the Class Ba Notes, (ii) the Class Bb Notes at the issue price of 100 per cent. of the principal amount of the Class Bb Notes and (iii) the Class Bc Notes at the issue price of 100 per cent. of the principal amount of the Class Bc Notes. Barclays Bank PLC has, pursuant to the Subscription Agreement agreed with the Issuer to subscribe and pay for (i) the Class Ca Notes at the issue price of 100 per cent. of the principal amount of the Class Ca Notes, (ii) the Class Cb Notes at the issue price of 100 per cent. of the principal amount of the Class Cb Notes and (iii) the Class Cc Notes at the issue price of 100 per cent. of the principal amount of the Class Cc Notes. Barclays Bank PLC has, pursuant to the Subscription Agreement agreed with the Issuer to subscribe and pay for (i) the Class Da Notes at the issue price of 100 per cent. of the principal amount of the Class Da Notes, (ii) the Class Db Notes at the issue price of 100 per cent. of the principal amount of the Class Db Notes and (iii) the Class Dc Notes at the issue price of 100 per cent. of the principal amount of the Class Dc Notes.

The Residual Certificates will not be subscribed and paid for by the Managers but will instead be issued directly to Barclays Bank PLC.

The Issuer will pay an amount of £5,625,000 of commissions with respect to the aggregate principal amount of the Notes (the principal amount of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes being converted into sterling at the relevant Currency Swap Rate).

The Issuer has also agreed to reimburse the Managers certain fees and expenses in connection with the issue of the Notes. The Managers have agreed to pay a certain portion of the additional expenses in connection with the issue of the Notes.

The Subscription Agreement is subject to a number of conditions and may be terminated by the Managers in certain circumstances prior to payment for the Notes to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the issue of the Notes.

Other than admission of the Notes to the Official List and the admission to trading on the London Stock Exchange's market for listed securities, no action has been taken by the Issuer or the Managers, which would or is intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Each Manager has undertaken not to offer or sell, directly or indirectly, Notes, or to distribute or publish this Prospectus or any other material relating to the Notes, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

In connection with the issue and distribution of the Notes, Barclays Bank PLC (or persons acting on behalf of Barclays Bank PLC) may over-allot (provided that the aggregate principal amount of the Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that Barclays Bank PLC (or persons acting on behalf of Barclays Bank PLC) 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 Notes 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 Notes and 60 days after the date of the allotment of the Notes.

United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and unless so registered may not be offered or sold within the United States 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 securities laws. Accordingly, the Notes are being offered and sold (i) in the United States only to qualified institutional buyers (as defined in and pursuant to Rule 144A under the Securities Act) and (ii) outside the United States to persons other than U.S. persons (as defined in and pursuant to Regulation S under the Securities Act). Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) prior to the end of the Distribution Compliance Period, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. See *Transfer Restrictions and Investor Representations,* below.

The Subscription Agreement provides that selected Managers, through their selling agents which are registered broker-dealers in the United States, may resell Notes in the United States to a limited number of ''qualified institutional buyers'' (as defined in Rule 144A under the Securities Act) pursuant to Rule 144A under the Securities Act.

The Issuer has agreed that, for so long as any of the Notes remain outstanding and are ''restricted securities'' within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will furnish, upon request of a holder of such a note or of any beneficial owner or of any prospective purchaser designated by such holder or beneficial owner, 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 not a reporting company under Section 13 or 15(d) of the Exchange Act or is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in compliance with Rule 144A or pursuant to another exemption from the registration requirements under the Securities Act.

United Kingdom

Each Manager has represented, warranted and agreed with the Issuer, *inter alia*, that:

(a) 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 Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Manager has represented and agreed that it has not offered, sold, delivered or transferred, and will not offer, sell, deliver or transfer, any of the Notes (including rights representing an interest in any Global Note), as part of their initial distribution or at any time thereafter, directly or indirectly, to individuals or legal entities who or which are established, domiciled or have their residence in the Netherlands (**Dutch Residents**) other than to Professional Market Parties (as defined below) that trade or invest in securities in the conduct of their profession or business and provided further that they acquire the offered issuer notes for their own account.

Professional Market Parties are any of the following persons but no other person:

(i) banks, insurance companies, securities firms, collective investment institutions or pension funds that are supervised or licensed under Dutch law;

(ii) banks or securities firms licensed or supervised in a European Economic Area member state (other than The Netherlands) and registered with the Dutch Central Bank (*De Nederlandsche Bank N.V.*: DNB) or the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiele Markten*) acting through a branch office in The Netherlands;

(iii) Netherlands collective investment institutions which offer their shares or participations exclusively to professional investors and are not required to be supervised or licensed under Dutch law;

(iv) the Dutch government *(de Staat der Nederlanden)*, the Dutch Central Bank (*De Nederlandsche Bank N.V.*), Dutch regional, local or other decentralised governmental institutions, or any international treaty organisations and supranational organisations;

(v) Netherlands enterprises or entities with total assets of at least €500,000,000 (or the equivalent thereof in another currency) as per the balance sheet as of the year end preceding the date they purchase or acquire the Notes;

(vi) Netherlands enterprises, entities or individuals with net equity (*eigenvermogen*) of at least €10,000,000 (or the equivalent thereof in another currency) as per the balance sheet as of the year end preceding the date they purchase or acquire the Notes and who or which have been active in the financial markets on average twice a month over a period of at least two consecutive years preceding such date;

(vii) Netherlands subsidiaries of the entities referred to under (i) above provided such subsidiaries are subject to prudential supervision;

(viii) Netherlands enterprises or entities that have a credit rating from an approved rating agency or whose securities have such a rating; and

(ix) such other Netherlands entities designated by the competent Netherlands authorities after the date hereof by any amendment of the applicable regulations.

The Notes (whether or not offered to Dutch Residents) shall bear the following legend:

THIS NOTE (OR ANY INTEREST HEREIN) MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED AS PART OF ITS INITIAL DISTRIBUTION OR AT ANY TIME THEREAFTER, DIRECTLY OR INDIRECTLY, TO INDIVIDUALS OR LEGAL ENTITIES WHO ARE ESTABLISHED, DOMICILED OR HAVE THEIR RESIDENCE IN THE NETHERLANDS (**DUTCH RESIDENTS**) OTHER THAN TO PROFESSIONAL MARKET PARTIES WITHIN THE MEANING OF THE EXEMPTION REGULATION PURSUANT TO THE DUTCH ACT ON THE SUPERVISION OF THE CREDIT SYSTEM 1992 (**PMPs**).

EACH DUTCH RESIDENT BY PURCHASING THIS NOTE (OR ANY INTEREST HEREIN), WILL BE DEEMED TO HAVE REPRESENTED AND AGREED FOR THE BENEFIT OF THE ISSUER THAT IT IS SUCH A PMP AND IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A PMP.

EACH HOLDER OF THIS NOTE (OR ANY INTEREST HEREIN), BY PURCHASING THIS NOTE (OR ANY INTEREST HEREIN), WILL BE DEEMED TO HAVE REPRESENTED AND AGREED FOR THE BENEFIT OF THE ISSUER THAT (1) THIS NOTE (OR ANY INTEREST HEREIN) MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED TO DUTCH RESIDENTS OTHER THAN TO A PMP ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A PMP AND THAT (2) THE HOLDER WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS DESCRIBED HEREIN TO ANY SUBSEQUENT TRANSFEREE.

Spain

The proposed offer of the Reg S Global Notes has not been registered with the Spanish Comision Nacional del Mercado de Valors. Accordingly, such Notes cannot be offered, sold, distributed or proposed in Spain or targeted to Spanish resident investors (including any legal entity set up, incorporated, domiciled or resident in the Kingdom of Spain), save in compliance with the requirements of Law 24/1988, of W-12 28 July (as amended by Law 37/1998, of 16 November), on the Spanish Securities Market and the Royal Decree 291/1992, of 27 March (as amended by the Royal Decree 2590/1998, of 7 December), on issues and public offers for the sale of securities.

The proposed offer of the Notes has not been registered with the Spanish Comision Nacional del Mercado de Valores. Accordingly, such Notes cannot be offered, sold, distributed or proposed in Spain nor any document or offer material be distributed in Spain or targeted to Spanish resident investors (including any legal entity set up, incorporated, domiciled or resident in the Kingdom of Spain), save in compliance with the requirements of law 24/1988, of 28 July (as amended by Law 37/1998, of 16 November), on the Spanish Securities Market and the Royal Decree 291/1992, of 27 March (as amended by the Royal Decree 2590/1988, of 7 December) on issues and public offers for the sale of securities.

France

The information made available in the Prospectus has not been prepared in the context of a public offer of financial instruments in France and has therefore not been submitted to the Autorité de Marché Financiers

for approval. It is made available solely for information purposes and does not constitute an offer or invitation for the subscription or purchase of the Notes. This Prospectus is confidential and being furnished only to a limited circle of investors (*cerecle retrient d'investisseurs*) and/or qualified investors (*investisseurs qualifies*), on the condition that it shall not be passed on to any person nor reproduced (in whole or in part) and that applicants undertake not to re-transfer, directly or indirectly, the Notes to the public in France, other than in compliance with articles L. 411-1, L. 411-2, and L. 621-8 of the French Financial and Monetary Code.

Germany

The Managers have agreed to comply with the following selling restrictions applicable to The Federal Republic of Germany.

Pursuant to the Subscription Agreement, the Managers have agreed that they shall not offer or sell the Notes in the Federal Republic of Germany in such a manner as to result in the Issuer being subject to licence requirements under the German Banking Act or being subject to regulation under the German Investment Act and other than in compliance with the restrictions contained in the German Securities Sales Prospectus Act (Wertpapier-Vekaufsprospektgesetz) (before and until (but excluding) the date on which the Prospectus Directive is implemented in the Federal Republic of Germany) and as of that day in compliance with the restrictions contained in the German Securities Prospectus Act (Wertpapierprospektgesetz), the German Investment Act (Investmentgesetz), respectively, and any other laws and regulations applicable in the Federal Republic of Germany governing the issue, the offering and the sale of securities.

The Notes may neither be nor intended to be distributed by way of public offering, public advertisement or in a similar manner within the meaning of Section 1 of the German Securities Sales Prospectus Act and Sections 1, 2 (11) of the German Investment Act nor shall the distribution of this Prospectus or any other document relating to the Notes constitute such public offer. In addition, the Managers have agreed that they have offered, sold or advertised and that they will offer, sell or advertise the Notes only to permitted institutional investors (Institutional Investors) within the meaning of the leaflet of the German Federal Financial Supervisory Agency (Bundesanstalf fur Finanzdienstleistungsaufsicht – BaFin) dated April 2005 in the Federal Republic of Germany and this Prospectus may not be passed on to any other person or entity in the Federal Republic of Germany. Furthermore, each subsequent transferee/purchaser of the Notes will be deemed to represent that if it is a person or entity in the Federal Republic of Germany it is an Institutional Investor and to agree not to offer sell or advertise the Notes to any person or entity in the Federal Republic of Germany who is not an Institutional Investor. The distribution of the Notes has not been notified and the Notes are not registered or authorised for public distribution in the Federal Republic of Germany Financial Supervisory Agency.

Prospective German investors in the Notes are urged to seek independent tax advice and to consult their professional advisors as to the legal and tax consequences that may arise from the application of the German Investment Tax Act to the Notes and neither the Issuer (nor the Initial Purchaser) accepts any responsibility in respect of the German tax position of the Notes.

Hong Kong

The Notes may not be resold in Hong Kong other than to persons whose ordinary business is to buy or sell securities, whether as principal or agent, or in circumstances which do not constitute a public offer within the meaning of the Companies Ordnance (cap. 32) of Hong Kong. No advertisement, invitation or document relating to the Notes has been, or will be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or intended to be disposed of only to persons outside Hong Kong or only to ''Professional Investors'' within the meaning of the Securities and Futures Ordinance (cap. 571) of Hong Kong and any rules thereunder.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (Securities and Exchange Law). Any person resident in Japan, including any corporation or other entity organised under the laws of Japan, and, with respect to any entity organised under the laws of a jurisdiction other than Japan, its branches or offices located in Japan, may only purchase Notes in accordance with an exemption from the registration provisions of the Securities and Exchange Law available thereunder and in compliance with the other relevant laws and regulations of Japan.

People's Republic of China

This document does not constitute an offer to sell any securities in the People's Republic of China (PRC) to any person to whom it is lawful to make the offer in the PRC. Neither the Issuer nor the Managers represent that this document may be lawfully distributed or that any securities may be lawfully offered, in compliance with any applicable registration or other requirement in the PRC, or pursuant to an exemption applicable thereunder, or assume any responsibility facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Managers which would permit a public offering of any securities or distribution of this document in the PRC. Accordingly, no securities may be offered or sold, directly or indirectly, and neither this document nor any advertisement or other offering material may be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

Singapore

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the Notes are offered by the Issuer pursuant to the exemptions invoked under Sections 274 and 275 of the Securities and Futures Act (Chapter 289) of Singapore (the SFA). Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase, nor may this Prospectus or any other offering document or material relating to the Notes, be circulated or distributed directly or indirectly, to any member of the public in Singapore other than (i) to an institutional investors, and in accordance with the conditions specified in Section 274 of the SFA or (ii) to a sophisticated investor, and in accordance with the conditions specified in Section 275 of the SFA or (iii) or otherwise pursuant to, and in accordance with the conditions of, any applicable provision of the SFA.

Taiwan

The Notes may not be directly or indirectly offered, sold or delivered, in Taiwan or to any resident of Taiwan except as otherwise permitted under applicable laws and regulations in Taiwan.

General

Reference should be made to the Subscription Agreement for a complete description of the restrictions on offers and sales of the Notes and on distribution of documents. Attention is also drawn to the inside cover of this Prospectus.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and Sales by the Initial Purchasers

The Notes (including interests therein represented by a Rule 144A Global Note, a Rule 144A Definitive Note or a Book-Entry Interest and interests therein represented by a Regulation S Global Note, a Regulation S Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**U.S. persons**)) except pursuant to an effective registration statement or in accordance with an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. Accordingly, the Notes (and any interests therein) are being offered and sold: (1) in the United States only to a limited number of ''qualified institutional buyers'' within the meaning of Rule 144A under the Securities Act (**QIBs**) in transactions exempt from the registration requirements of the Securities Act and in accordance with any state securities laws and (2) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Investor Representations and Restrictions on Resale

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

(1) (A) it is a QIB and is acquiring such Notes for its own account or as a fiduciary or agent for other QIBs for investment purposes and not for distribution in violation of the Securities Act, and it is able to bear the economic risk of an investment in the Notes and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of purchasing the Notes, or (B) it is not a U.S. person and is acquiring such Notes for its own account or as a fiduciary or agent for other non-U.S. persons in an offshore transaction (as defined in Regulation S under the Securities Act, an **offshore transaction**) pursuant to an exemption from registration provided by Regulation S under the Securities Act;

(2) such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will resell or transfer such Notes only (i) so long as such Notes are eligible for resale pursuant to Rule 144A, to a person whom the seller reasonably believes is a QIB acquiring the Notes for its own account or as a fiduciary or agent for others (which others must also be QIBs) to whom notice is given that the resale or other transfer is being made in reliance on Rule 144A, (ii) pursuant to an exemption from registration provided by Rule 144 under the Securities Act (if available), (iii) to a purchaser who is not a U.S. Person (as defined in Regulation S under the Securities Act), and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or (iv) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States; provided, that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;

(3) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (2) above, (iii) such transferee shall be deemed to have represented (a) as to its status as a QIB or a purchaser acquiring the Notes in an offshore transaction (as the case may be), (b) if such transferee is a QIB, that such transferee is acquiring the Notes for its own account or as a fiduciary or agent for others (which others also must be QIBs), (c) if such purchaser is acquiring the Notes in an offshore transaction, that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, and (d) that such transferee is not an underwriter within the meaning of Section 2(11) of the Securities Act, and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing;

(4) with respect to purchasers of the Class D Notes either (a) no part of the assets to be used to purchase or hold such Class D Notes constitutes assets of any employee benefit plan, other plan, or individual retirement account subject to Title I of ERISA or Section 4975 of the Code or (b) the purchaser is an insurance company and the following requirements are satisfied: (i) the Class D Notes will be purchased and held by the insurance company's general account (and not a separate account of the insurance company), (ii) on each day during the entire period that such purchaser's insurance company general account holds a Class D Note either (x) the requirements of the final regulations under Section 401(c) of ERISA will be satisfied such that no portion of the assets of such general account will constitute plan assets, or (y) for any other reason, no portion of the assets of such insurance company general account constitute plan assets;

(5) with respect to purchasers of the Class A Notes, the Class B Notes or the Class C Notes, either (A) no part of the assets to be used to purchase such Notes to be purchased by it constitutes assets of any employee benefit plan, other plan, or individual retirement account subject to Title I of ERISA or Section 4975 of the Code or (B) all or part of the assets to be used to purchase such Notes to be purchased by it constitute assets of one or more employee benefit plans, or other plan, or individual retirement account subject to Title I of ERISA or Section 4975 of the Code and the use of such assets to purchase or hold such Notes will not constitute, cause or result in the occurrence of a non-exempt prohibited transaction under ERISA or Section 4975 of the Code; and

(6) each beneficial owner of a Note, by acceptance of an interest in such Note, agrees to treat the Note as indebtedness for U.S. federal income tax purposes.

The Regulation S Notes that represent interests sold outside the United States to purchasers that are not U.S. persons (as defined in Regulation S) in compliance with Regulation S will bear a legend to the following effect:

''THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.''

Set out below is a form of notice which may be used to notify the transferees of the foregoing restrictions on transfer. Such notice will be set out in the form of a legend on each Rule 144A Global Note. Additional copies of such notice may be obtained from the Principal Paying Agent, the Registrar or the Transfer Agent.

''THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY STATE SECURITIES LAWS, AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED OR SOLD IN VIOLATION OF THE SECURITIES ACT OR SUCH STATE LAWS. THIS NOTE MAY BE TRANSFERRED ONLY IN INITIAL PRINCIPAL AMOUNTS OF £50,000 OR €50,000 OR $100,000 AND INTEGRAL MULTIPLES OF £1,000 OR €1,000 OR $1,000 IN EXCESS THEREOF. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER AND THE MANAGERS THAT IT WILL RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE, AS A MATTER OF U.S. LAW, ONLY (A) (1) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (**RULE 144A**), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A (A **QUALIFIED INSTITUTIONAL BUYER**), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS MUST BE QUALIFIED INSTITUTIONAL BUYERS) TO WHOM NOTICE IS GIVEN THAT THE RESALE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (3) TO A PERSON WHO IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), AND WHO IS NOT ACQUIRING THE NOTE FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON, OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND (B) WITH RESPECT TO THE CLASS D NOTES EITHER (1) TO A

PURCHASER WITH RESPECT TO WHOM NO PART OF THE ASSETS TO BE USED TO PURCHASE OR HOLD THIS NOTE CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN, OTHER PLAN, OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**ERISA**), OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **CODE**), OR (2) TO A PURCHASER THAT IS AN INSURANCE COMPANY, PROVIDED THAT THE CLASS D NOTES WILL BE PURCHASED AND HELD BY THE INSURANCE COMPANY'S GENERAL ACCOUNT (AND NOT A SEPARATE ACCOUNT OF THE INSURANCE COMPANY), AND ON EACH DAY DURING THE ENTIRE PERIOD THAT SUCH PURCHASER'S INSURANCE COMPANY GENERAL ACCOUNT HOLDS A CLASS D NOTE (AS THE CASE MAY BE), EITHER (X) THE REQUIREMENTS OF THE FINAL REGULATIONS UNDER SECTION 401(C) OF ERISA WILL BE SATISFIED SUCH THAT NO PORTION OF THE ASSETS OF SUCH GENERAL ACCOUNT WILL CONSTITUTE PLAN ASSETS OR (Y) FOR ANY OTHER REASON, NO PORTION OF THE ASSETS OF SUCH INSURANCE COMPANY'S GENERAL ACCOUNT CONSTITUTE PLAN ASSETS, AND, (C) WITH RESPECT TO THE CLASS A NOTES, THE CLASS B NOTES OR THE CLASS C NOTES WHOM (X) NO PART OF THE ASSETS USED TO PURCHASE OR HOLD THIS NOTE CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN, OTHER PLAN OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR (Y) PART OR ALL OF THE ASSETS USED TO PURCHASE THIS NOTE CONSTITUTE ASSETS OF AN EMPLOYEE BENEFIT PLAN, OTHER PLAN OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE IF AND ONLY IF THE USE OF SUCH ASSETS WILL NOT CONSTITUTE, CAUSE OR RESULT IN THE OCCURRENCE OF A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE PROVIDED THAT THE AGREEMENT OF THE HOLDER HEREOF IS SUBJECT TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF THE PURCHASER'S PROPERTY SHALL AT ALL TIMES BE AND REMAIN WITHIN ITS CONTROL. THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES UNDERTAKEN OR REPRESENTED BY THE HOLDER, FOR RESALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OR RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE AND ANY BENEFICIAL OWNER OF ANY INTEREST THEREIN SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON) AND AGREES TO TRANSFER THIS NOTE ONLY IN ACCORDANCE WITH ANY SUCH AMENDMENT OR SUPPLEMENT IN ACCORDANCE WITH APPLICABLE LAW IN EFFECT AT THE DATE OF SUCH TRANSFER.''

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

GENERAL INFORMATION

1. It is expected that the admission of the Notes to the Official List and the admission of the Notes to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market (being a regulated market) will be granted on or around 21 December 2005 subject only to the issue of the Global Notes. Prior to listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the date of the transaction.

2. None of the Issuer, Holdings, the Post-Enforcement Call Option Holder or PECOH Holdings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer, Holdings, the Post-Enforcement Call Option Holder or PECOH Holdings (respectively) is aware), since 11 October 2005 (being the date of incorporation)), which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer, Holdings, the Post-Enforcement Call Option Holder or PECOH Holdings (as the case may be).

3. No statutory or non-statutory accounts within the meaning of Section 240(5) of the Companies Act 1985 in respect of any financial year of the Issuer have been prepared. So long as the Notes are admitted to trading on The London Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the UK Principal Paying Agent in London. The Issuer does not publish interim accounts.

4. For so long as the Notes are admitted to the Official List and to trading on The London Stock Exchange, the Issuer shall maintain a Paying Agent in the United Kingdom.

5. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business other than the Subscription Agreement.

6. Since 11 October 2005 (being the date of incorporation of the Issuer) Holdings, Post-Enforcement Call Option Holder and PECOH Holdings), there has been (1) no material adverse change in the financial position or prospects of the Issuer, Holdings, the Post-Enforcement Call Option Holder or PECOH Holdings and (2) no significant change in the financial or trading position of the Issuer, Holdings, the Post-Enforcement Call Option Holder or PECOH Holdings.

7. The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 12 December 2005.

8. The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg under the following ISIN, CUSIP Numbers and Common Codes:

Class of Notes	*ISIN Reg S Notes*	*ISIN 144A Notes*	*CUSIP Number 144A Notes*	*Common Code Reg S Notes*	*Common Code 144A Notes*
Class A1a	XS0236971650	US38406CAF05	38406C AF 0	023697165	023796619
Class A2a	XS0236974753	US38406CAG87	38406C AG 8	023697475	023796783
Class A2d	XS0237975346	US38406CAR43	38406C AR 4	023697534	023810328
Class Ba	XS0236974910	US38406CAH60	38406C AH 6	023697491	023796813
Class Ca	XS0236975057	US38406CAJ27	38406C AJ 2	023697505	023796848
Class Da	XS0236975214	US38406CAK99	38406C AK 9	023697521	023796929
Class A1b	XS0236975990	US38406CAA18	38406C AA 1	023697599	023796988
Class A2b	XS0236976378	US38406CAB90	38406C AB 9	023697637	023797011
Class Bb	XS0236976451	US38406CAC73	38406C AC 7	023697645	023797356
Class Cb	XS0236976618	US38406CAD56	38406C AD 5	023697661	023797399
Class Db	XS0236976881	US38406CAE30	38406C AE 3	023697688	023797445
Class A1c	XS0236977269	US38406CAL72	38406C AL 7	023697726	023797488
Class A2c	XS0236977343	US38406CAM55	38406C AM 5	023697734	023797496
Class Bc	XS0236977699	US38406CAN39	38406C AN 3	023697769	023797500
Class Cc	XS0236977939	US38406CAP86	38406C AP 8	023697793	023797518
Class Dc	XS0236978150	US38406CAQ69	38406C AQ 6	023697815	023797526

10. From the date of this Prospectus and for so long as the Notes are listed on The London Stock Exchange and the rules of The London Stock Exchange so require, copies of the following documents may be inspected at the offices of Allen & Overy LLP, 40 Bank Street, London E14 5NR during usual business hours, on any weekday (public holidays excepted):

    (i) the Memorandum and Articles of Association of each of the Issuer, Holdings, PECOH Holdings, and the Post-Enforcement Call Option Holder;

    (ii) prior to the Issue Date, drafts (subject to modification) and after the Issue Date copies of the following Documents:

        (a) the Administration Agreement;

        (b) the Agency Agreement;

        (c) the Bank Account Agreement;

        (d) the Cash Management Agreement;

        (e) the Corporate Services Agreements;

        (f) the Currency Swap Agreements;

        (g) the Deed of Charge;

        (h) the Deed of Novation;

        (i) the Interest Rate Swap Agreement;

        (j) the Issuer Nominee Declaration of Trust;

        (k) the Issuer Share Trust Deed;

        (l) the Master Definitions and Construction Schedule;

        (m) the Mortgage Sale Agreement;

        (n) the PECOH Nominee Declaration of Trust;

        (o) the PECOH Holdings Share Trust Deed;

        (p) the Post-Enforcement Call Option Agreement;

        (q) the Purchase/Redemption Option Agreement;

        (r) the Security Trustee Power of Attorney;

        (s) the Seller Collection Account Declaration of Trust;

        (t) the Seller Power of Attorney;

        (u) the Share Capital Loan Agreements;

        (v) the Start-up Loan Agreement;

        (w) the Subscription Agreement; and

        (x) the Trust Deed.

11. The Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans, except as required pursuant to the Transaction Documents.

12. The Issuer confirms that the assets backing the issue of the Notes, taken together with the other arrangements to be entered into by the Issuer on the Issue Date (including those described in Credit Structure above), have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. However investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Consequently investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto, and other documents incorporated by reference in the Prospectus.

INDEX OF TERMS

REGISTERED OFFICE OF THE ISSUER

Gracechurch Mortgage Funding PLC
c/o 1 Churchill Place
London E14 5HP

ADMINISTRATOR

Barclays Bank PLC
1 Churchill Place
London E14 5HP

NOTE TRUSTEE AND SECURITY TRUSTEE

The Bank of New York
One Canada Square
London E14 5AL

AGENT BANK AND UK PRINCIPAL PAYING AGENT

The Bank of New York
One Canada Square
London E14 5AL

US PAYING AGENT, REGISTRAR AND TRANSFER AGENT

The Bank of New York
101 Barclay Street
New York
New York USA 10286

LEGAL ADVISERS TO THE MANAGERS

Weil, Gotshal & Manges
One South Place
London EC2M 2WG

LEGAL ADVISERS TO THE ISSUER AND THE ADMINISTRATOR

(as to English and US law)
Allen & Overy LLP
40 Bank Street
London E14 5NR

LEGAL ADVISERS TO THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

Clifford Chance Limited Liability Partnership
10 Upper Bank Street
London E14 5JJ

AUDITORS OF THE ISSUER

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 95Y

AUTHORISED ADVISOR

Barclays Bank PLC
5 The North Colonnade
London E14 4BB

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