

# AYSGARTH FINANCE DESIGNATED ACTIVITY COMPANY

*(A designated activity company incorporated under the laws of Ireland with registered number 460250, and formerly known as Aysgarth Finance Limited)*

## Series 15 GBP 51,274,864 Secured Inflation-Linked Note due 2048

This prospectus (this “**Prospectus**”) has been prepared for the purpose of giving information about the issuance by Aysgarth Finance Designated Activity Company (the “**Issuer**”) of the above note (the “**Note**”).

This Prospectus constitutes a “prospectus” for the purposes of Article 5.4 of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”).

This Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”), as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Note which is to be admitted to trading on the regulated market of the Irish Stock Exchange (the “**Market**”) or other regulated markets for the purposes of Directive 2004/39/EC.

Application has been made to the Irish Stock Exchange for the Note to be admitted to its Official List and trading on the Market.

The Note will be initially represented on issue by a temporary global note exchangeable for a permanent global note in bearer form in accordance with its terms (the “**Global Notes**”). The Note will be deposited on 21 December 2017 (the “**Issue Date**”) with a common depositary on behalf of Euroclear and Clearstream, Luxembourg or such other clearing system as is approved by the Trustee. The provisions governing the exchange of interests in Global Notes for other Global Notes and Definitive Notes are described in the section of this Prospectus entitled “*Summary of Provisions Relating to the Note while in Global Form*”.

Any claims of the Swap Counterparty against the Issuer under the Swap are subject to limited recourse and non-petition provisions. However, the Issuer has acceded as a creditor under and a party to the STID, the MDA and the CTA (each as defined in the section of this Prospectus entitled “*The YWS Agreements*”). Any claims of any other creditors against the Issuer under such documents are not subject to any limited recourse or non-petition provisions.

For further information on this and other risk factors, prospective investors should have regard to the factors described under the section of this Prospectus entitled “*Risk Factors*”. This Prospectus does not describe all of the risks of an investment in the Note.

A copy of this Prospectus will be filed with the Irish Companies Registration Office in accordance with Regulation 38(1)(b) of S.I. No. 324 Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended).

The Note is not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA Retail Investor**”). For these purposes, an EEA Retail Investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); (ii) a customer within the meaning of the Insurance Mediation Directive (Directive 2002/92/EC (as amended)), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Note or otherwise making it available to EEA Retail Investors has been prepared and therefore offering or selling the Note or otherwise making it available to any

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EEA Retail Investor may be unlawful under the PRIIPs Regulation.

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*Structuring Bank and Placement Agent*

**Barclays Bank PLC**

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The date of this Prospectus is 21 December 2017.

THE NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”). THE NOTE MAY NOT BE OFFERED, SOLD, DELIVERED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSONS AT ANY TIME, AND MUST BE OFFERED, SOLD OR DELIVERED STRICTLY IN ACCORDANCE WITH THE TEFRA D RULES AS SET FORTH BELOW, (I) SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS SPECIFIED IN THE TRUST DEED REFERRED TO HEREIN AND (II) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY APPLICABLE JURISDICTION. “U.S. PERSON” MEANS A PERSON THAT IS ANY OF THE FOLLOWING: (I) A “U.S. PERSON” AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”); (II) NOT A “NON-UNITED STATES PERSON” AS DEFINED IN RULE 4.7 OF THE RULES OF THE U.S. COMMODITY FUTURES TRADING COMMISSION (THE “CFTC”) (EXCLUDING FOR THE PURPOSES OF SUBSECTION (A)(1)(IV)(D) THEREOF THE REFERENCE TO “OR OTHERWISE AS QUALIFIED ELIGIBLE PERSONS”); OR (III) A “U.S. PERSON” AS DEFINED IN THE CREDIT RISK RETENTION REGULATIONS ISSUED UNDER SECTION 15G OF THE U.S. SECURITIES EXCHANGE ACT OF 1934, IN EACH CASE AS AMENDED FROM TIME TO TIME. NO REGISTRATION STATEMENT RELATING TO THE NOTE HAS BEEN OR WILL BE FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION. THE NOTE WILL BE AN OBLIGATION SOLELY OF THE ISSUER AND WILL NOT BE GUARANTEED BY, OR BE THE RESPONSIBILITY OF, ANY OTHER ENTITY. IN PARTICULAR, THE NOTE WILL NOT BE AN OBLIGATION OF AND WILL NOT BE GUARANTEED BY, OR BE THE RESPONSIBILITY OF, THE STRUCTURING BANK (AS DEFINED BELOW) AND NEITHER THE ISSUER NOR ANY OF ITS OBLIGATIONS IS GUARANTEED IN ANY OTHER WAY BY THE STRUCTURING BANK.

THE ISSUER WAS STRUCTURED SO AS NOT TO MEET THE DEFINITION OF A “COVERED FUND” FOR PURPOSES OF SECTION 619 UNDER THE DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT.

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The Issuer’s rights, title, benefit and interest in and under the Swap and any cash account maintained by the Account Bank for it in respect of the Note are together referred to in this Prospectus as the “**Underlying Assets**”. The Note will be secured by (i) an assignment of the Issuer’s rights, title and interest under the Agency Agreement and the Account Bank Agreement, (ii) a charge over the Issuer’s rights, title and interest under the YWS Disclosure Representation Letter, (iii) a charge over the Issuer’s rights, title and interest under the Swap and (to the extent that such rights, title and interest relate to the Swap) the YWS Agreements, and a (iv) charge over all sums held by the Account Bank and/or the Issuing and Paying Agent to meet payments due in respect of the Note. All the Issuer’s assets subject to the security constituted by the Trust Deed are referred to in this Prospectus as the “**Secured Property**”. The claims (if any) of any of the Agents in respect of payments made on behalf of the Issuer will also be secured by the Secured Property. Claims against the Issuer by the holder of the Note and by the Trustee, the Account Bank and any other Agent will each be limited to the Secured Property.

If the net proceeds of the enforcement of the Secured Property are not sufficient to make all payments then due in respect of the Note and to meet the claims of any other Secured Party, then such claims against the Issuer will, in aggregate, be limited to such net proceeds. The other assets of the Issuer will not be available to meet any shortfall. The Issuer will not be obliged to make any further payment in excess of such net proceeds and no debt shall be owed by the Issuer or any of its officers or directors in respect of such shortfall. None of

the Trustee, the Noteholder, the Swap Counterparty, the Account Bank, the Issuing and Paying Agent, the Structuring Bank, the Calculation Agent nor any other person may take any further action to recover any such shortfall. In particular, no such person shall be entitled to institute, or join with any other person in bringing, instituting or joining, insolvency proceedings in relation to the Issuer or any of its officers.

**THE SECURED PROPERTY IN RELATION TO THE NOTE WILL NOT BE OBLIGATIONS OF OR GUARANTEED BY THE STRUCTURING BANK. IN NO CIRCUMSTANCES WILL THE STRUCTURING BANK MAKE GOOD LOSSES SUFFERED IN RELATION TO THE UNDERLYING ASSETS OR THE NOTE.**

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer, 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.

The information relating to the Swap Counterparty and YWSF contained in the section of this Prospectus entitled “*Swap Counterparty and YWSF*” has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by the Swap Counterparty and/or YWSF, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see the section of this Prospectus entitled “*Documents Incorporated by Reference*”). This Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Prospectus.

The Issuer has made only very limited queries with regards to the accuracy and completeness of the information with respect to the YWS Information (as defined in the section of this Prospectus entitled “*Documents Incorporated by Reference*”) which is incorporated by reference into this Prospectus from publicly available information identified by the Issuer. Prospective investors in the Note should not rely upon, and should make their own independent investigations and enquiries in respect of, the accuracy and completeness of the YWS Information.

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus, in connection with the issue or sale of the Note and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Structuring Bank. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented, or that any other information supplied in connection with the Note is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus and the offering or sale of the Note in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Structuring Bank to inform themselves about and to observe any such restriction. The Note has not been and will not be registered under the Securities Act or any states securities laws, and the Issuer is not, nor will be, registered under the Investment Company Act. The Note in bearer form is subject to U.S. tax law requirements and any offer, sale or delivery of the same must comply with those requirements. Additionally, the Note may not be offered, sold, delivered or otherwise transferred within the United States or to, or for the

account or benefit of, any U.S. Persons at any time, and must be offered, sold or delivered strictly in accordance with the D Rules as set forth below.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer or the Structuring Bank to subscribe for or purchase the Note.

To the fullest extent permitted by law, the Structuring Bank does not accept any responsibility for the contents of this Prospectus for any other statement, made or purported to be made by the Structuring Bank or on its behalf in connection with the Issuer or the issue and offering of the Note. The Structuring Bank accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

**A PURCHASER OF THE NOTE SHOULD CONDUCT SUCH INDEPENDENT INVESTIGATION AND ANALYSIS REGARDING THE ISSUER, THE SWAP COUNTERPARTY, THE SWAP, THE YWS AGREEMENTS, THE SECURITY ARRANGEMENTS AND THE NOTE AS IT DEEMS APPROPRIATE TO EVALUATE THE MERITS AND RISKS OF AN INVESTMENT IN THE NOTE. A PURCHASER OF THE NOTE SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS, AND ACCESS TO, AND KNOWLEDGE OF, APPROPRIATE ANALYTICAL RESOURCES, TO EVALUATE THE INFORMATION CONTAINED IN THIS PROSPECTUS AND THE MERITS AND RISKS OF INVESTING IN THE NOTE IN THE CONTEXT OF ITS FINANCIAL POSITION AND CIRCUMSTANCES. THE RISK FACTORS IDENTIFIED IN THIS PROSPECTUS ARE PROVIDED AS GENERAL INFORMATION ONLY AND THE STRUCTURING BANK DISCLAIMS ANY RESPONSIBILITY TO ADVISE A PURCHASER OF THE NOTE OF THE RISKS AND INVESTMENT CONSIDERATIONS ASSOCIATED THEREWITH AS THEY MAY EXIST AT THE DATE HEREOF OR AS THEY MAY FROM TIME TO TIME ALTER.**

In this Prospectus, unless otherwise specified or the context otherwise requires, references to “Euro” and “€” are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union, and references to “£” and “GBP” are to the lawful currency of the United Kingdom.

In this Prospectus, capitalised terms shall have the meanings given to them in the Conditions of the Note, except where otherwise specified herein.

The Issuer is not and will not be regulated by the Central Bank of Ireland as a result of issuing the Note. The Note will not have the status of a bank deposit under Irish law and are not within the scope of the Deposit Protection Scheme operated by the Central Bank of Ireland. Any individual intending to purchase the Note described in this Prospectus should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and has sufficient financial resources to sustain any loss that may arise from it.

## **GENERAL NOTICE**

THE PURCHASER OF THE NOTE MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE NOTE OR POSSESSES OR DISTRIBUTES THIS PROSPECTUS AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED FOR THE PURCHASE, OFFER OR SALE BY IT OF THE NOTE UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTIONS TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NEITHER THE ISSUER NOR THE STRUCTURING BANK (INCLUDING THE DIRECTORS, OFFICERS OR EMPLOYEES THEREOF) SHALL HAVE ANY RESPONSIBILITY THEREFOR.

THE NOTE AND INTERESTS THEREIN ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND RESALE. AN INVESTOR SHOULD BE AWARE THAT IT MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE NOTE FOR AN INDEFINITE PERIOD OF TIME.

BY ITS ACQUISITION OF THE NOTE, THE HOLDER WILL HAVE, OR WILL BE DEEMED TO HAVE, REPRESENTED, WARRANTED AND COVENANTED THAT IT IS NOT (AND FOR SO LONG AS IT HOLDS THE NOTE OR AN INTEREST THEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THE NOTE OR AN INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF), (I) AN EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”), (II) A PLAN WITHIN THE MEANING OF SECTION 4975(E)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “**CODE**”), (III) AN ENTITY THAT IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL OR CHURCH PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE.

PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO THE FACTORS DESCRIBED UNDER THE SECTION OF THIS PROSPECTUS ENTITLED “*RISK FACTORS*”.

## NOTICE TO INVESTORS FROM THE STRUCTURING BANK

Neither Barclays Bank PLC (the “**Structuring Bank**”) nor any of its affiliates is under any legal or regulatory obligation to support any losses suffered by the Issuer or a purchaser of the Note or to repurchase or make a market in the Note. Neither the Structuring Bank nor its affiliates guarantees or stands behind the Issuer or the obligations of the Issuer under the Note, and will not make good, and is under no obligation to make good, any losses under the Note, the Swap or any other agreements that the Issuer might enter into with any third parties. The Issuer and each person into whose possession this document comes will be deemed to have acknowledged and agreed to the foregoing.

Given the current economic climate, the complexity of the Note offered or to be offered hereunder, as well as the possibility of investors incurring significant or complete loss of invested funds, investors’ attention is specifically directed to the section of this Prospectus entitled “*Risk Factors*” and investors should be fully aware that they may be required to hold the Note until maturity since no assurances can be given that a liquid market (or any market at all) will exist in respect of the Note.

# TABLE OF CONTENTS

	Page
NOTICE TO INVESTORS FROM THE STRUCTURING BANK.....	7
RISK FACTORS.....	9
DOCUMENTS INCORPORATED BY REFERENCE.....	25
TERMS AND CONDITIONS OF THE NOTE.....	27
SUMMARY OF PROVISIONS RELATING TO THE NOTE WHILE IN GLOBAL FORM.....	50
TRANSFER RESTRICTIONS .....	53
USE OF PROCEEDS .....	54
DESCRIPTION OF THE ISSUER.....	55
CALCULATION AGENT .....	57
SWAP .....	58
FORM OF CONFIRMATION .....	62
SWAP COUNTERPARTY AND YWSF .....	67
THE YWS AGREEMENTS .....	68
IRELAND TAXATION .....	71
SUBSCRIPTION AND SALE .....	76
ERISA CONSIDERATIONS.....	79
GENERAL INFORMATION .....	80



## RISK FACTORS

*The Note involves substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of such an investment or transaction. The purchaser of the Note is exposed to full loss of principal or other amount invested. Only a prospective purchaser of the Note who can withstand the loss of its entire investment should buy the Note.*

*This Prospectus does not describe all of the risks of an investment in the Note. Each of the Issuer and the Structuring Bank disclaims any responsibility to advise prospective investors of such risks as they exist at the date of this Prospectus or as they change from time to time. Prospective investors should consult their own financial and legal advisers as to the risks entailed by an investment in the Note and the suitability of investing in the Note in the light of their particular circumstances. Before making an investment decision, prospective investors should carefully consider, among other factors, all the information set forth in this Prospectus and, in particular, the matters described below.*

### **RISKS RELATED TO THE ISSUER**

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#### **The Issuer is a special purpose vehicle**

The Issuer's sole business is the raising of money by issuing notes. The Issuer has covenanted not, as long as the Note remains outstanding, without the prior written consent of the Trustee, to have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person, declare any dividends (other than in relation to the shares mentioned hereafter), issue any shares (other than such shares as were in issue on the date of its incorporation) or issue any other notes or other obligations (other than the Note or any Other Series (as defined in the Conditions)). As such, the Issuer has, and will have, no assets other than its issued and paid-up share capital, such fees (as agreed) payable to it in connection with the issue of the Note, the Underlying Assets and the equivalent in respect of any Other Series.

#### **Regulation of the Issuer by any regulatory authority**

The Issuer is not required to be licensed or authorised under any current securities, commodities or banking laws of its jurisdiction of incorporation. There is no assurance, however, that regulatory authorities in one or more jurisdictions would not take a contrary view regarding the applicability of any such laws to the Issuer. The taking of a contrary view by such regulatory authority could have an adverse impact on the Issuer or the holder of the Note.

Any investment in the Note does not have the status of a bank deposit and is not within the scope of any deposit protection scheme.

#### **Preferred creditors under Irish law**

Under Irish law, upon an insolvency of an Irish company such as the Issuer, when applying the proceeds of assets subject to fixed security that may have been realised in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority over the claims of creditors holding the relevant fixed security. These preferred claims include the remuneration, costs and expenses properly incurred by any examiner of the company (that may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment) that have been approved by the Irish courts. See "Examinership" below.

The holder of a fixed security over the book debts of an Irish incorporated company (that would include the Issuer) may be required by the Irish Revenue Commissioners, by notice in writing from the Irish Revenue Commissioners, to pay to them sums equivalent to those that the holder received in payment of debts due to it by the company.

Where notice has been given to the Irish Revenue Commissioners of the creation of the security within 21 calendar days of its creation by the holder of the security, the holder's liability is limited to the amount of certain outstanding Irish tax liabilities of the company (including liabilities in respect of VAT) arising after the issuance of the Irish Revenue Commissioners' notice to the holder of fixed security.

The Irish Revenue Commissioners may also attach any debt due to an Irish tax resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax, whether the liabilities are due on its own account or as an agent or trustee. The scope of this right of the Irish Revenue Commissioners has not yet been considered by the Irish courts and it may override the rights of holders of security (whether fixed or floating) over the debt in question.

In relation to the disposal of assets of any Irish tax resident company that are subject to security, a person entitled to the benefit of the security may be liable for tax in relation to any capital gains made by the company on a disposal of those assets on exercise of the security.

The essence of a fixed charge is that the chargor does not have liberty to deal with the assets that are the subject matter of the security in the sense of disposing of such assets or expending or appropriating the moneys or claims constituting such assets and accordingly, if and to the extent that such liberty is given to the Issuer, any charge constituted by the Trust Deed may operate as a floating, rather than a fixed charge.

In particular, the Irish courts have held that in order to create a fixed charge on receivables, it is necessary to oblige the chargor to pay the proceeds of collection of the receivables into a designated bank account and to prohibit the chargor from withdrawing or otherwise dealing with the moneys standing to the credit of such account without the consent of the chargee.

Depending upon the level of control actually exercised by the chargor, there is therefore a possibility that the fixed security purported to be created by the Trust Deed would be regarded by the Irish courts as a floating charge.

Floating charges have certain weaknesses, including the following:

- (a) they have weak priority against purchasers (who are not on notice of any negative pledge contained in the floating charge) and the chargees of the assets concerned and against lien holders, execution creditors and creditors with rights of set-off;
- (b) they rank after certain preferential creditors, such as claims of employees and certain taxes on winding-up;
- (c) they rank after certain insolvency remuneration expenses and liabilities;
- (d) the examiner of a company has certain rights to deal with the property covered by the floating charge; and
- (e) they rank after fixed charges.

## EU Anti Avoidance Directive

On 12 July 2016 the EC Council formally adopted a directive containing a package of measures to combat corporate tax avoidance. The directive must be implemented by each Member State by 2019 subject to derogations for Member States which have equivalent measures in their domestic law. The directive could restrict the amount of interest a borrower can deduct to a percentage of its earnings (the “**interest limitation rule**”). The directive contains certain exceptions to the interest limitation rule and also provides that individual Member States may be permitted to implement certain derogations. The Issuer may benefit from these exceptions or derogations depending on how the directive is implemented in Ireland. If the exceptions or derogations do not apply to the Issuer, the amount of interest deductibility that could be claimed by the Issuer in respect of interest on the Note may be restricted. At this point it is not possible to confirm how the directive will be implemented into Irish law. References in this risk factor to “interest” payable on the Note shall also include premium payable on the Note.

## Examinership

The Issuer may be subject to Examinership. Examinership is a court procedure available under the Irish Companies Act 2014, in order to facilitate the survival of Irish companies in financial difficulties.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to repudiate contracts and arrangements entered into by the company after his appointment and, in certain circumstances, he can avoid a negative pledge given by the company prior to his appointment. Furthermore, he may (with the approval of the charge holder or of the court) sell assets that are the subject of a fixed charge. However, if such power is exercised, he must account to the holders of the fixed charge for the amount realised and discharge the amount due to them out of the proceeds of sale.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement which are with a view to allowing for the survival of the company, or the whole or any part of its undertaking, as a going concern. A scheme of arrangement will only be approved by the Irish High Court or Circuit Court (as applicable) if the following conditions are satisfied, i.e. (i) at least one class of creditors whose interests or claims would be impaired by the proposals has voted in favour of the proposals, (ii) the sole or primary purpose of the proposals is not the avoidance of payment of tax due and (iii) the relevant court is satisfied that such proposals are (a) fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and (b) not unfairly prejudicial to the interests of any interested party.

In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. In the case of the Issuer, if the Trustee represented the majority in number and value of claims within the secured creditor class (that would be likely given the restrictions agreed to by the Issuer in the Conditions), the Trustee would be in a position to reject any proposal not in favour of the Noteholder. The Trustee would also be entitled to argue at the relevant court hearing at which the proposed scheme of arrangement is considered that the proposals are unfair and inequitable in relation to the Noteholder, especially if such proposals included a writing down of the value of amounts due by the Issuer to the Noteholder. The primary risks to such holder of the Note if an examiner were to be appointed to the Issuer are as follows:

- (a) the potential for a scheme of arrangement to be approved involving the writing down of the debt owed by the Issuer to the Noteholder as secured by the Trust Deed;
- (b) the potential for the examiner to seek to set aside any negative pledge in the Note prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period; and
- (c) in the event that a scheme of arrangement is not approved and the Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings, if incurred by the examiner on behalf of the Issuer and approved by the relevant court) will take priority over the moneys and liabilities that from time to time are or may become due, owing or payable by the Issuer to the Noteholder.

### **Centre of Main Interests**

The Issuer has its registered office in Ireland. Under Regulation (EU) No. 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast) (the “**Recast EU Insolvency Regulation**”), the Issuer's centre of main interest (“**COMI**”) is presumed to be the place of its registered office (i.e. Ireland) in the absence of proof to the contrary and provided that the Issuer did not move its registered office within the 3 months prior to a request to open insolvency proceedings.

As the Issuer's COMI is presumed to be Ireland, any main insolvency proceedings in respect of the Issuer would fall within the jurisdiction of the courts of Ireland. As to what might constitute “proof to the contrary” regarding the location of a company's COMI, the key decision is that in *Re Eurofood IFSC Ltd* ([2004] 4 IR 370 (Irish High Court); [2006] IESC 41 (Irish Supreme Court); [2006] Ch 508; ECJ Case C-341/04 (European Court of Justice), given in respect of the equivalent provision in the previous EU Insolvency Regulation (Regulation (EC) No. 1346/2000). In that case, on a reference from the Irish Supreme Court, the European Court of Justice concluded that “factors which are both objective and ascertainable by third parties” would be needed to demonstrate that a company's actual situation is different from that which the location of its registered office is deemed to reflect. For instance, if a company with its registered office in Ireland does not carry on any business in Ireland, that could rebut the presumption that the company's COMI is in Ireland. However, if a company with its registered office in Ireland does carry on business in Ireland, the fact that its economic choices are controlled by a parent undertaking in another jurisdiction would not, of itself, be sufficient to rebut the presumption.

As the Issuer has its registered office in Ireland, has Irish directors, is registered for tax in Ireland and has retained an Irish corporate services provider, the Issuer does not believe that factors exist that would rebut the presumption that its COMI is located in Ireland, although this would ultimately be a matter for the relevant court to decide based on the circumstances existing at the time when it was asked to make that decision. If the Issuer's COMI was found to be in another EU jurisdiction and not in Ireland, main insolvency proceedings would be opened in that jurisdiction instead.

### **Swap solely the obligation of the Issuer and the Swap Counterparty**

The Swap will be an obligation solely of the Issuer and the Swap Counterparty. In particular, the Swap will not be the obligation of, and will not be guaranteed by, or be the responsibility of, the Structuring Bank.

### **FATCA implementation in Ireland**

FATCA imposes a withholding tax of 30 per cent. with respect to (i) certain U.S. source payments and payments of gross proceeds (including principal repayments) from the disposition of assets that can produce U.S. source interest or dividends and (ii) “foreign passthru payments”. In order to avoid becoming subject to

FATCA Withholding, non-U.S. financial institutions generally must enter into agreements with the U.S. Internal Revenue Service, comply with provisions implementing an intergovernmental agreement entered into pursuant to FATCA or otherwise be exempt from the requirements of FATCA.

In December 2012 the governments of Ireland and the United States signed an agreement to implement FATCA (the “IGA”) and in July 2014 Ireland enacted the Financial Accounts Reporting (United States of America) Regulations 2014 (the “Irish FATCA Regulations”).

The Issuer expects to be treated as a “Reporting Financial Institution” pursuant to the IGA and intends to carry on its business in such a way as to ensure that it is treated as complying with FATCA pursuant to the terms of the IGA and the Irish FATCA Regulations. Unless an exemption applies, the Issuer is required to register with the U.S. Internal Revenue Service and shall be required to report certain information to the Irish Revenue Commissioners relating to a Noteholder who, for FATCA purposes, is a “Specified U.S. person”, “Non-participating Financial Institution” or “Passive Non-financial Foreign Entity” that is controlled by “Specified U.S. persons”.

Any information reported by the Issuer to the Irish Revenue Commissioners will be communicated to the U.S. Internal Revenue Service pursuant to the IGA. It is possible that the Irish Revenue Commissioners may also communicate this information to other tax authorities pursuant to the terms of any applicable double tax treaty, intergovernmental agreement or exchange of information regime.

The Issuer or its agents shall be entitled to require the Noteholder to provide any information regarding its FATCA status, identity or residency required by the Issuer to satisfy its FATCA obligations. The Noteholder will be deemed, by its subscription for or holding of Note to have authorised the automatic disclosure of such information by the Issuer or any other authorised person to the relevant tax authorities.

The Issuer generally should not be subject to any FATCA Withholding in respect of its U.S. source income for so long as it complies with its FATCA obligations. However, FATCA Withholding may arise on U.S. source payments to the Issuer if the Issuer does not comply with its FATCA registration and reporting obligations and the U.S. Internal Revenue Service has specifically identified the Issuer as being a “Non-participating Financial Institution” for FATCA purposes. For example, the Issuer may be unable to comply with its FATCA obligations if the Noteholder does not provide the required certifications or information. Any FATCA Withholding imposed on payments to the Issuer may reduce the amounts available to the Issuer to make payments on the Note. The Noteholder should consult its own tax advisors as to the potential implication of the reporting requirements imposed on the Issuer by FATCA before investing.

There can be no assurance, however, that the Issuer will be treated as a “Reporting Financial Institution”, or that in the future it would not be required to deduct FATCA Withholding from payments it makes. If an amount in respect of FATCA Withholding were to be deducted or withheld from payments on the Note, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Note, be required to pay additional amounts as a result of such FATCA Withholding. As a result, investors may receive less interest or principal than expected.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTE AND THE NOTEHOLDER IS SUBJECT TO CHANGE. NOTHING IN THIS SECTION CONSTITUTES OR PURPORTS TO CONSTITUTE TAX ADVICE AND THE NOTEHOLDER IS NOT ENTITLED TO RELY ON ANY PROVISION SET OUT IN THIS SECTION FOR PURPOSES OF MAKING ANY INVESTMENT DECISION, TAX DECISION OR OTHERWISE. AN INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR TO OBTAIN A MORE DETAILED EXPLANATION OF

FATCA AND TO LEARN HOW FATCA MIGHT AFFECT THE NOTEHOLDER IN ITS PARTICULAR CIRCUMSTANCE.

## ***RISKS RELATED TO THE NOTE***

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### **Limited recourse obligations**

The Note is a direct, secured, limited recourse obligation of the Issuer payable solely out of the Secured Property. The Issuer will have no other assets or sources of revenue available for payment of any of its obligations under the Note. The Noteholder will have no right to proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to take action against the Issuer within a reasonable time. No assurance can be made that the proceeds available for and allocated to the repayment of the Note at any particular time will be sufficient to cover all amounts that would otherwise be due and payable in respect of the Note. If the proceeds of the realisation of the Security Interests received by the Trustee for the benefit of the Noteholder prove insufficient to make payments on the Note, no other assets will be available for payment of the deficiency, and, following distribution of the proceeds of such realisation, the Issuer will have no further obligation to pay any amounts in respect of such deficiency.

Further, none of the Trustee, the Noteholder nor any other Secured Party will be entitled at any time to petition or take any other step for the winding-up of, or the appointment of an examiner to, the Issuer, provided that the Trustee may prove or lodge a claim in the liquidation of the Issuer initiated by another party, and provided further that the Trustee may take proceedings to obtain a declaration or similar judgment or order as to the obligations and liabilities of the Issuer. No person other than the Issuer will be obliged to make payments on the Note.

Please also see “*Claims against the Issuer by other creditors under the YWS Agreements not subject to limited recourse and non-petition*” below.

### **Priority of Claims**

During the term of the Note and on an enforcement of the security granted by the Issuer in favour of the Trustee, the rights of the Noteholder to be paid amounts due under the Note will be subordinated to (i) the operating expenses due and payable to the Trustee, including expenses incurred in the enforcement of the security, (ii) the operating expenses due and payable to the Agents and (iii) the other claims as specified in the Issue Deed relating to the Note that rank in priority to the Note.

In addition, the rights of the Issuer to be paid amounts due to it under the Swap may be subordinated to the rights of certain other parties pursuant to the priorities of payment as described in Chapter 7 (*Overview of the Financing Agreements*) of the YWS Base Prospectus (the “**YW Priorities of Payment**”). To the extent that the amounts received by the Issuer are reduced as a result of the application of the YW Priorities of Payment, the amounts payable under the Note will be reduced accordingly.

### **No gross-up**

In the event that any withholding tax or deduction for tax is imposed on payments on or in respect of the Note (as a result of FATCA or otherwise), the Noteholder will not be entitled to receive grossed-up amounts to compensate for such withholding tax nor be reimbursed for the amount of any shortfall, and no Event of Default shall occur as a result of any such withholding or deduction; however, the Note may be redeemed early pursuant to Condition 7(c)(i) (*Tax Event*).

### **Modification, waivers and substitution**

The Conditions contain provisions for the consideration of matters affecting the Noteholder's interests, including the sanctioning by a Written Resolution of a modification of any of the Conditions or any provisions of the Trust Deed.

The Conditions also provide that the Trustee may, without the consent of the Noteholder, agree to (i) any modification of any of the provisions of the Conditions or any Secured Agreement that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, (ii) any other modification (except as mentioned in Condition 12(b) (*Modification of the Trust Deed*)), and any waiver or authorisation of any breach or proposed breach of any of the Conditions or any provisions of the Trust Deed the Issue Deed or any Secured Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholder or (iii) the substitution of another company as principal debtor under the Note in place of the Issuer, subject to the consent of the Swap Counterparty.

### **Early redemption for tax or legal reasons**

Upon giving notice to the Noteholder, the Issuer may redeem the Note earlier than the Maturity Date for specified tax or legal reasons, as detailed in Condition 7(c)(i) (*Tax Event*) and Condition 7(c)(iii) (*Illegality Event*). If the Issuer redeems the Note early, the Issuer will, if and to the extent permitted by applicable law, pay to the Noteholder the Early Redemption Amount on the date specified in the Conditions. Such Early Redemption Amount is not principal protected and will be calculated in accordance with the Conditions.

If the Note is redeemed for such tax or legal reasons, the Issuer will not have the right to terminate the Swap and will only be entitled to transfer or novate its rights and obligations under the Swap to a transferee. Therefore, the Early Redemption Amount in respect of the Note will depend on the amount the Issuer receives from any such transferee. The amount that a transferee would be willing to pay will depend on, among other things, fluctuations in inflation and the creditworthiness of the Swap Counterparty. A transferee would also be required to be an eligible counterparty under, and to enter into, the YWS Agreements. This may limit the liquidity of the Swap and reduce the amounts paid. The Early Redemption Amount may be significantly less than the amount of the Noteholder's investment or than the amount which it would have received if the Note did not redeem until the Maturity Date.

### **Early redemption due to a Swap Event**

If the Swap is terminated in whole or is required to be novated by the Issuer for any reason (any such event, a "Swap Event"), then the Note will be redeemed at its Early Redemption Amount.

The Swap may be terminated as a result of the occurrence of an Event of Default or a Termination Event (in each case as such term is defined in the Swap) in respect of the Issuer or the Swap Counterparty (or the transferee). Such events are described in more detail in the section of this Prospectus entitled "Swap" under the headings "*Events of Default*" and "*Termination Events*".

If the Note is redeemed following the occurrence of a Swap Event, the Early Redemption Amount in respect of the Note will depend on the amount the Issuer receives from the Swap Counterparty (or the person to whom the Swap is novated). Such amount may be calculated differently depending on the circumstances in which the Swap is terminated in accordance with the terms of the Swap. Under the terms of the Swap:

- (a) the Swap Counterparty may terminate the Swap, or oblige the Issuer to novate the Swap, if the Issuer (having been directed by the Noteholder to do so) or the Representative (as defined in the Conditions) gives a Refusal Notice in respect of a STID Proposal (each as defined in the Conditions) within the Refusal Notice Period (as defined below) but such STID Proposal is subsequently approved

by the Majority Creditors and all Affected Secured Creditors who are not party to an Alternative to Criteria Hedging Agreement (each as defined in the CTA), unless such STID Proposal is a Discriminatory STID Proposal (as defined in the Conditions and described in the section of this Prospectus entitled "*The YWS Agreements*"). Any termination amount (or minimum novation amount) receivable by the Issuer will be determined by a third party calculation agent by calculating the future payments under the Swap, with inflation-linked amounts calculated by reference to the mid-market zero coupon inflation swap market, and then discounting such payment amounts using an OIS flat mid-market discount curve plus a spread plus 0.5 per cent. per annum. The spread will be determined by the Swap Counterparty based on quotations provided by two leading dealers in the GBP denominated corporate debt markets selected by the Swap Counterparty in respect of the YW Bond (as defined in the section of this Propsectus entitled "*The Swap*") or, if fewer than two quotations are provided as requested or no YW Bond remains outstanding at such time, by the Swap Counterparty (or a third party acting on its behalf) in good faith and in a commercially reasonable manner;

- (b) the Swap Counterparty has a general right to terminate the Swap at any time. In such circumstances, the termination amount will be an amount determined by a third party calculation agent by calculating the future payments under the Swap, with inflation-linked amounts calculated by reference to the mid-market zero coupon inflation swap market, and then discounting such payment amounts using an OIS flat mid-market discount curve; and
- (c) in all other circumstances, either the Swap Counterparty or the Issuer will be required to determine the early termination amount under the Swap (the "**Early Termination Amount**") payable from Swap Counterparty to the Issuer, depending on the reason for the termination of the Swap. The Early Termination Amount (referred to in the Swap as the "Settlement Amount") is calculated by reference to (i) Market Quotations (as defined in the Swap) for the terminated swap transactions or (ii) if Market Quotations cannot be determined, Loss (as defined in the Swap) being such losses or costs that would be incurred by the party making the calculation in replacing (or providing the economic equivalent of) the rights and obligations that have been terminated, or the gain that would be made in so doing.

Accordingly, the amount payable to the Noteholder (if any) following the occurrence of a Swap Event (particularly the event described in paragraph (a) above) is likely to be significantly less than the amount of the Noteholder's investment or than the amount which it might have received if the Note did not redeem until maturity.

Prospective investors should be aware that none of the Issuer, the Trustee or the Structuring Bank will be required to monitor, enquire or satisfy itself as to whether any Swap Event or Swap Counterparty Event (as defined in the Conditions) has occurred.

For further information please refer to the sections of this Prospectus entitled "*Swap*" and "*The YWS Agreement*".

#### **The Note is linked to an Inflation Index**

The principal and interest on the Note is determined by reference to formulae which reference the GBP – Non-revised Retail Price Index (UKRPI) (the "**Inflation Index**"). Prospective investors must ensure that they understand the relevant formulae and be aware that, as a result:

- (a) the market price of the Note may be very volatile;



- (b) they may receive no principal or interest;
- (c) payment of principal or interest may occur at a different time than expected;
- (d) they may lose all or a substantial portion of their principal;
- (e) the Inflation Index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; and
- (f) the timing of changes in the Inflation Index may affect the actual yield to investors, even if the average level is consistent with their expectations.

Many economic and market factors may influence the value of the Note including, *inter alia*, general economic, financial, political or regulatory conditions; fluctuations in the prices of various consumer goods and energy resources; and inflation and expectations concerning inflation. Any such factors may either offset or magnify each other.

The Note will not represent a claim against or an investment in any component of the Inflation Index or in any index sponsor, owner or administrator. The Note is not in any way sponsored, endorsed or promoted by any index sponsor, owner or administrator, and such companies have no obligation to take into account the consequences of their actions for the Noteholder. Accordingly, such parties may take any actions in respect of the Inflation Index without regard to the interests of the purchaser of the Note, and any of these actions could adversely affect the market value of the Note.

Any modifications to, or delay or failure to publish, UKRPI may affect the amounts payable in respect of the Note. As the principal and interest on the Note will (subject to deductions of tax) equal the amounts received by the Issuer under the Swap, the Note is affected by the index modification and disruption provisions applicable under the Swap.

### **Enforcement of Security**

If the Security Interests become enforceable, the Trustee may, at its discretion, take enforcement action. Other Secured Parties may have different interests from the Noteholder and enforcement of the Security Interests may not be in the best interests of the Noteholder.

### **Single Note**

As the Specified Denomination is equal to the aggregate Nominal Amount of the Note, the Issuer will only issue a single Note for this series. Accordingly, an investment in this series may only be transferred in whole but not in part.

## ***RISKS RELATED TO THE COUNTERPARTIES***

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### **Performance of the Note reflects an investment in the Swap**

The amounts of interest and principal in respect of the Note will (subject to deductions on account of tax) equal the amounts received by the Issuer under the Swap. Accordingly, prospective investors should familiarise themselves with the terms of the Swap, the YWS Agreements (as modified as described herein) and with the Swap Counterparty.

### **YWS Agreements**

The Swap was originally entered into by the Swap Counterparty in connection with its bond issuance programme. Accordingly, the rights and obligations of the Issuer and the Swap Counterparty under the Swap

are subject to the YWS Agreements (as set out in the section of this Prospectus entitled “*The YWS Agreements*”) and described in Chapter 7 (*Overview of the Financing Agreements*) of the YWS Base Prospectus. The terms of such YWS Agreements may affect the amounts payable under the Swap and, accordingly, the amounts of principal and interest due under the Note.

#### **Claims against the Issuer by other creditors under the YWS Agreements not subject to limited recourse and non-petition**

Under the STID and the CTA, if the Issuer receives a payment under the Swap or any of the YWS Agreements which was not made in accordance with the payment priorities set out in the STID, the Issuer shall be under obligation to return any excess amount received in breach of such payment priorities to the YW Security Trustee. As the Issuer does not have any assets other than claims against the Swap Counterparty under the Swap, the Issuer may not be able to return the relevant amount within the period prescribed by the YWS Agreements. This may result in a claim made by other creditors under the YWS Agreements against the Issuer and an insolvency procedure initiated against the Issuer. Any claims of such other creditors are not subject to any limited recourse or non-petition provisions. If the Issuer owes any amount to any such creditors, and it is unable to pay such amount, such creditors may petition for the winding-up of the Issuer, which would trigger an early redemption of the Note. The Early Redemption Amount may be significantly less than the amount of the Noteholder’s investment or than the amount which it would have received if the Note did not redeem until the Maturity Date.

#### **Swap Counterparty’s ability to meet obligations under the Swap**

The timely payment by the Issuer of the amounts due under the Note (after payment in full has been made by the Issuer of all amounts due and owing which rank senior in priority thereto) will depend on the timely receipt by it of all amounts payable by the Swap Counterparty to the Issuer under the Swap. Consequently, the Issuer is exposed to the ability of the Swap Counterparty to perform its obligations under the Swap. The Swap has a term of 31 years as at the Issue Date and the Noteholder will be exposed to the risk of the Swap Counterparty not being able to perform its payment obligations under the Swap during the term of the Swap.

#### **Special Administration of the Swap Counterparty**

In certain circumstances (including where the Swap Counterparty is unable, or is unlikely to be able, to pay its debts or a creditor has petitioned for the winding-up of the Swap Counterparty), a special administrator (the “**Special Administrator**”) can be appointed in respect of the Swap Counterparty. During the period of the special administration order (the “**Special Administration Order**”) authorising the special administration (the “**Special Administration**”), the Swap Counterparty has to be managed by the Special Administrator for the purposes of the Special Administration Order and in a manner which protects the interests of shareholders and creditors of the Swap Counterparty. While the Special Administration Order is in force, no steps may be taken to enforce any security over the property of the Swap Counterparty except with the consent of the Special Administrator or the leave of the High Court of England and Wales (the “**Court**”). The Swap Counterparty may not be wound up and, subject to such terms as the Court may impose, no other proceedings or other legal process may be commenced or continued against the Swap Counterparty or its property except with the leave of the Court.

The occurrence of the Special Administration in respect of the Swap Counterparty shall be an Event of Default (as such term is defined in the Swap) under the Swap and may trigger the early termination of the Swap which will result in the early redemption of the Note (if the Noteholder directs the Issuer to deliver a termination notice). Consequently this may have a negative impact on the ability of the Issuer to make full and timely payments of any Interest Amount or Instalment Amount with respect to the Note. For further

information on the Special Administration please refer to Chapter 6 (*Regulation of the Water and Wastewater Industry in England and Wales*) in the YWS Base Prospectus. For further information see also “*Early redemption due to a Swap Event*” above.

### **Standstill**

The STID provides for an automatic standstill of certain claims against, amongst others, the Swap Counterparty. If the Swap Counterparty is subject to such a standstill, its cash will be managed by the Standstill Cash Manager (as defined in the MDA) who will apply available cash of the Swap Counterparty in accordance with the terms of the CTA. If there are insufficient funds available, the Standstill Cash Manager may not be able to make full and timely payments in respect of the Swap Counterparty’s payment obligations under the Swap. In this case, the Issuer would not be permitted to take any action against the Swap Counterparty to claim for such unpaid amount. Consequently this may have a negative impact on the amounts and/or timing of any Interest Amount or Instalment Amount with respect to the Note. For further information please refer to Chapter 7 (*Overview of the Financing Agreements - Security Trust and Intercreditor Deed - Standstill*) of the YWS Base Prospectus.

### **Swap Counterparty not obliged to act in the Noteholder’s best interests**

The Swap Counterparty is not obliged to act in the best interests of the Noteholder when exercising its rights under the Swap and will act in its own best interests. To the extent the interests of the Swap Counterparty and the Noteholder are not the same, the exercise by the Swap Counterparty of any of its rights under the Swap may have a detrimental effect on Noteholder, including the early redemption of the Note.

### **Withholding**

In the event that any withholding or deduction for tax is made on payments from the Swap Counterparty to the Issuer under or in respect of the Swap, any corresponding amounts payable by the Issuer to the Noteholder will be reduced accordingly.

### **Voting Rights and Entrenched Rights under the YWS Agreements**

Under the YWS Agreements, the Issuer (in its capacity as a hedge counterparty to the Swap Counterparty) has voting rights with respect to certain matters contained therein. Such voting rights may be exercised by the Issuer or a Representative on its behalf. The entrenched rights of the Issuer in its capacity as a hedge counterparty to the Swap Counterparty, as described in Chapter 7 (*Overview of the Financing Agreements - Security Trust and Intercreditor Deed - Entrenched Rights and Reserved Matters*) of the YWS Base Prospectus, have been modified by the Swap and an irrevocable instruction given by the Issuer to the YW Security Trustee.

In particular, the Issuer and the Representative shall be deemed to consent to every STID Proposal where the Issuer is an Affected Secured Creditor (each as defined in the MDA) unless, in relation to a specific STID Proposal, the Issuer (or the Representative on its behalf) gives a Refusal Notice. The Issuer shall only give such Refusal Notice if it is directed to do so by the Noteholder, and the Representative may do so at its discretion. If the Noteholder does not direct the Issuer to give a Refusal Notice or if the Issuer (or the Representative on its behalf) does not do so within the prescribed period, the Issuer shall be deemed to have consented to the relevant STID Proposal, unless the Issuer (or a relevant representative on its behalf) delivers one or more refusal notices in respect of such STID Proposal in respect of any Other Series. A Refusal Notice will only be effective if it has been delivered by the Issuer (or the Representative on its behalf) within a period of 15 Business Days commencing with the date that the relevant STID Directions Request (as defined in the MDA) is deemed to be given in accordance with clause 17.3 (*Effectiveness*) of the CTA (the “**Refusal Notice Period**”). The Issuer will give a Refusal Notice within one Business Day of being directed to do so. Accordingly,

if the Noteholder wishes the Issuer to give a Refusal Notice, it will need to ensure that it does so in sufficient time.

In addition, if the Issuer (or the Representative on its behalf) gives a Refusal Notice in respect of a STID Proposal within the Refusal Notice Period (and does not withdraw such Refusal Notice) but such STID Proposal is subsequently approved by the Majority Creditors and all Affected Secured Creditors who are not party to an Alternative to Criteria Hedging Agreement (each as defined in the CTA), unless such STID Proposal is a Discriminatory STID Proposal, the Swap Counterparty may terminate the Swap or oblige the Issuer to novate the Swap. In either case, the Note would be redeemed early and the amount which the Noteholder may receive is likely to be significantly less than it would have received had the Note continued to maturity. In particular, the STID Refusal Termination Amount (or minimum novation amount) receivable by the Issuer in such circumstances (on which the redemption amount payable to the Noteholder will be based) will be determined by calculating the future payments under the Swap and then discounting such payment amounts using an overnight indexed swap flat mid-market discount curve plus a spread plus 0.5 per cent. per annum. Accordingly, any such STID Refusal Termination Amount (or minimum novation amount) is likely to be significantly less than the amount that would be payable if the Swap was terminated in other circumstances. The calculation of any such STID Refusal Termination Amount is described in more detail in the sections of this Prospectus entitled “Swap” and “The YWS Agreements”.

The Issuer (or the Representative on its behalf) may give notice to the Swap Counterparty that it considers a STID Proposal to be a Discriminatory STID Proposal. The Issuer shall do so if it is directed to do so by the Noteholder and the Noteholder provides the relevant reasons. Accordingly, if the Noteholder wishes the Issuer to give a Discriminatory STID Proposal Notice, it will need to ensure that it does so in sufficient time.

The Issuer will give a refusal notice in respect of the swap relating to an Other Series if directed to do so by the holders of such Other Series in accordance with the terms of such Other Series, even if the Noteholder does not wish the Issuer to give a Refusal Notice in respect of the Swap. Equally, the representative in relation to an Other Series may give a refusal notice in respect of the swap relating to such Other Series. However, the Swap Counterparty’s right to terminate or require novation as described above would only apply in respect of the swap relating to such Other Series whose holders directed the Issuer to give a refusal notice (or if the representative in relation to such Other Series gives a refusal notice).

The Swap Counterparty does have an additional right to terminate the Swap at any time but with the amount payable on termination being calculated using a different discount rate (as described under the heading “*Early redemption due to a Swap Event*” above).

For further information see the section of this Prospectus entitled “*Risks Related to the Note*” under the heading “*Early redemption due to a Swap Event*” above and the section of this Prospectus entitled “*The YWS Agreements*”.

### **Representative may give Refusal Notices**

The Representative may exercise any rights of the Issuer in respect of the YWS Agreements. In particular, the Representative may give a Refusal Notice in respect of a STID Proposal on behalf of the Issuer. The Noteholder will be exposed to the risk of the Representative delivering a Refusal Notice in respect of a STID Proposal even though the Noteholder does not wish to object to such STID Proposal. In the event that the Representative does give a Refusal Notice, if the other conditions are met (as described under the heading “*Voting Rights and Entrenched Rights under the YWS Agreements*” above), the Swap Counterparty would terminate the Swap or require the Issuer to novate the Swap at the STID Refusal Termination Amount, in which case the Note would

be redeemed early and the amount which the Noteholder may receive is likely to be significantly less than it would have received had the Note continued to maturity, as more fully described above.

**The Representative was selected by the initial investor in the Note. Purchasers of the Note should ensure they are comfortable with the identity of the Representative and make their own arrangements with the Representative as to the exercise or non-exercise of its rights, or to replace such Representative.**

#### **Fees, costs and expenses of the Issuer**

The Structuring Bank has, on behalf of the Issuer, agreed to pay certain fees, costs and expenses of the Issuer in respect of the Note under an expenses letter entered into on or about the Issue Date (the “**Expenses Letter**”).

In the event that the Structuring Bank does not meet its obligations under the Expenses Letter on time and in full or it becomes insolvent (in which case such obligations will cease), the Issuer may not be able to meet its periodic fees, costs and expenses which may lead to a default of the Issuer’s obligations under the Trust Deed and consequently an Event of Default and early redemption of the Note, unless the Noteholder or another person agrees to pay any such fees, costs and expenses.

Furthermore, if the Noteholder instructs the Issuer to deliver a Refusal Notice and/or a Discriminatory STID Proposal Notice in respect of a STID Proposal, the Noteholder will need to pre-fund the Issuer with respect to any costs and expenses which the Issuer may be required to pay in connection with such Refusal Notice and/or Discriminatory STID Proposal Notice, including any costs and expenses which the Issuer is required to bear in relation to the appointment of an expert to determine whether a STID Proposal is a Discriminatory STID Proposal.

#### **Risks relating to the Account Bank**

The Issuer may, from time to time, deposit cash into one or more cash accounts with the Account Bank. Any cash so deposited and any cash received by the Account Bank for the account of the Issuer in relation to the Note will be held by the Account Bank as banker and not as trustee and will be a bank deposit. As a result, the cash will not be held in accordance with the client money rules as set out in the FCA rules and the Issuer will rank as a general unsecured creditor of the Account Bank. The Account Bank will not segregate the Issuer’s money from its own and shall not be liable to account to the Issuer for any profits made by the Account Bank’s use as banker of such cash. Such deposits may not be covered by the United Kingdom’s Financial Services Compensation Scheme.

#### **Failure to appoint a replacement Agent**

If the appointment of any Agent is terminated for any reason whatsoever and the Issuer becomes obliged to pay some or all costs relating to its replacement and is unable to do so, then an Event of Default may occur in respect of the Note. The Note may be redeemed prior to its scheduled maturity under Condition 7(d)(ii) (*Events of Default*).

#### **Potential conflict of interest**

The Structuring Bank and any of its affiliates may act in a number of capacities in connection with the issue of the Note. The Structuring Bank or any such affiliate, as the case may be, shall have only the duties and responsibilities expressly agreed to by such entity in the relevant capacity and shall not, by virtue of its or any affiliate acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to hold a standard of care other than as expressly provided with respect to the relevant capacity. The Structuring

Bank and any of its affiliates may enter into business dealings relating to the Note or Other Series issued by the Issuer or to the Swap Counterparty, from which they may derive revenues and profits in addition to any fees stated in the various documents, without any duty to account therefor.

The Structuring Bank and any of its affiliates may, from time to time, be in possession of certain information (confidential or otherwise) and/or opinions with regard to the Swap Counterparty which information and/or opinions might, if known by the Noteholder, affect decisions made by it with respect to its investment in the Note. Notwithstanding this, neither the Structuring Bank nor any of its affiliates shall have any duty or obligation to notify the Noteholder or the Issuer or any other Parties (including any directors, officers or employees thereof) of such information and/or opinions.

The Structuring Bank and any of its affiliates may deal in any obligation of the Swap Counterparty and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business transactions with, the Swap Counterparty and may act with respect to such transactions in the same manner as if the Swap and the Note do not exist and without regard to whether any such action might have an adverse effect on the Swap Counterparty, the Issuer, or the Noteholder.

The Structuring Bank and any of its affiliates may, at any time, be active and significant participants in or act as market maker in relation to a wide range of markets for currencies, instruments relating to currencies, securities and derivatives. Activities undertaken by the Structuring Bank and any of its affiliates may be on such a scale as to affect, temporarily or on a long-term basis, the price of such currencies, instruments relating to currencies, securities and derivatives or securities and derivatives relating to the Swap or the Note. Notwithstanding this, none of the Structuring Bank nor any of its affiliates shall have any duty or obligation to take into account the interests of any party in relation to the Note when effecting transactions in such markets.

As a result of any such transactions or arrangements, the Structuring Bank or its affiliates may have interests that are contrary to the interests of the Issuer and the Noteholder.

#### **No fiduciary role**

None of the Issuer, the Structuring Bank, the Swap Counterparty, the Trustee or any Agent (the “Parties”), or any of their respective affiliates, is acting as an investment adviser, and none of them (other than the Trustee) assumes any fiduciary obligation to any purchaser of the Note or any other party, including the Issuer.

None of the Issuer or any of the other Parties assumes any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness or status of the Swap Counterparty or the terms of the Swap.

Investors may not rely on the views or communications of the Issuer or any of the other Parties for any information in relation to any person other than the Issuer or such Party, respectively.

#### **No reliance**

A prospective purchaser may not rely on the Issuer, any of the other Parties (as defined under the heading “*No fiduciary role*” above) or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Note or as to the other matters referred to above.

#### **No representations**

Neither of the Issuer nor any of the other Parties makes any representation or warranty, express or implied, in respect of the Swap Counterparty or in respect of the Swap or in respect of any information contained in any

documents prepared, provided or filed by or on behalf of the Swap Counterparty or in respect of the Swap with any exchange, governmental, supervisory or self-regulatory authority or any other person.

Neither of the Issuer nor any of the other Parties makes any representation or warranty in respect of the Underlying Assets or in respect of the Swap Counterparty.

## ***RISKS RELATED TO THE MARKET***

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### **Limited liquidity of the Note**

Although application has been made to admit the Note to the Official List of the Irish Stock Exchange and admit them to trading on the Market, there is currently no secondary market for the Note. There can be no assurance that a secondary market for the Note will develop, or, if a secondary market does develop, that it will provide the holder of the Note with liquidity or that it will continue for the life of the Note. Consequently, any investor of the Note must be prepared to hold the Note for an indefinite period of time or until redemption of the Note. If any of the Structuring Bank begins making a market for the Note, it is under no obligation to continue to do so and may stop making a market at any time.

### **Non-registration under the Securities Act and restrictions on transfer**

The Note has not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Note is being issued and sold in reliance upon exemptions from registration provided by such laws. The Issuer does not intend to register the Note under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Consequently, the transfer of the Note will be subject to satisfaction of legal requirements applicable to transfers that do not require registration under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. In addition, the Note is subject to certain transfer restrictions, including no offer, sale or delivery of the Note within the United States or to, or for the account or benefit of, any U.S. Persons at any time, which may further limit the liquidity of the Note. See the sections of this Prospectus entitled “*Transfer Restrictions*” and “*Subscription and Sale*”.

Any purported transfer in violation of the applicable transfer restrictions set forth in the section of this Prospectus entitled “*Subscription and Sale*” will be null and void *ab initio* and will not operate to transfer any rights to the transferee, and the Issuer will have the right to require the Noteholder or beneficial owner to sell the Note or interest therein, or may sell the Note or interest therein on behalf of such owner, at the least of (x) the purchase price therefor paid by the Noteholder or beneficial owner, as the case may be, (y) 100 per cent. of the principal amount thereof and (z) the fair market value thereof.

The foregoing and other transfer restrictions described throughout this Prospectus further limit the liquidity of the Note and may inhibit the development of a liquid market.

### **ERISA considerations**

The initial purchaser and any subsequent transferees of the Note will be required or deemed, as applicable, to represent, warrant and covenant that it is not (and for so long as it holds the Note or an interest therein will not be) and is not acting on behalf of (and for so long as it holds the Note or an interest therein will not be acting on behalf of) (i) an employee benefit plan within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), (ii) a plan within the meaning of Section 4975(e)(1) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), (iii) an entity that is deemed to hold the assets of any such plan, which plan or entity is subject to Title I of ERISA or Section 4975 of the Code or (iv) a governmental or church plan that is subject to any federal, state or local law that is similar to

the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code. Any purported transfer in violation of the foregoing will be null and void *ab initio* and will not operate to transfer any rights to the transferee, and the Issuer will have the right to require the Noteholder or beneficial owner to sell the Note or interest therein, or may sell the Note or interest therein on behalf of such owner, at the least of (x) the purchase price therefor paid by the Noteholder or beneficial owner, as the case may be, (y) 100 per cent. of the principal amount thereof and (z) the fair market value thereof.



## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following sections of the base prospectus in respect of the Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited (each acting as a programme issuer) £8,000,000,000 Multicurrency programme for the issuance of Guaranteed Bonds dated 13 April 2017 (the “YWS Base Prospectus”) financing the Swap Counterparty which shall be incorporated in and form part of this Prospectus:

Section	Title/Reference	Page(s)
1.1	Chapter 1 — The Parties	1-3
1.2	Chapter 6 — Regulation of the Water and Wastewater Industry in England and Wales	62-84
1.3	Chapter 7 — Overview of the Financing Agreements	85-143
1.4	Glossary of Defined Terms	221-285

Such incorporated sections are referred to herein as the “YWS Information”.

The YWS Base Prospectus was approved by the Financial Conduct Authority on 13 April 2017. The YWS Base Prospectus has been filed with the Irish Stock Exchange and the Central Bank of Ireland and is available at:

[http://www.keldagroup.com/media/4083/YWS\\_Prospectus\\_2017\\_Final\\_Unannotated.pdf](http://www.keldagroup.com/media/4083/YWS_Prospectus_2017_Final_Unannotated.pdf)

The YWS Information and the documents, or sections of documents, referred to above shall be incorporated in and form part of this Prospectus, save that any statement contained in such documents, or sections of a document, which are incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus. Any documents which are themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Where only certain parts of a document are incorporated by reference in this Prospectus, the non-incorporated parts are either not relevant to the investor or are covered elsewhere in this Prospectus. Further, any defined term used in the YWS Information shall only be a defined term for the purposes of such YWS Information and any defined terms used in this Prospectus (other than in such YWS Information) shall not be a defined term for the purposes of such YWS Information.

The annual financial statements of the Issuer for the financial year ended 31 December 2015 are available at:

[http://www.ise.ie/debt\\_documents/Financial%20Statements%20-%202015.PDF\\_c79a421a-bd79-49e7-bdea-7a397f819787.PDF](http://www.ise.ie/debt_documents/Financial%20Statements%20-%202015.PDF_c79a421a-bd79-49e7-bdea-7a397f819787.PDF)

The annual financial statements of the Issuer for the financial year ended 31 December 2016 are available at:

[http://www.ise.ie/debt\\_documents/Financial%20Statements%20-%202016.PDF\\_fb0436a3-60b7-4fab-b856-4e16166fd15f.PDF](http://www.ise.ie/debt_documents/Financial%20Statements%20-%202016.PDF_fb0436a3-60b7-4fab-b856-4e16166fd15f.PDF)

These annual financial statements, which have been previously published and have been filed with the Irish Stock Exchange and the Central Bank of Ireland, shall be incorporated into and form part of this Prospectus.

The contents of the websites, other than copies of those documents deemed to be incorporated by reference into this Prospectus, are for information purposes only and do not form part of this Prospectus.

# TERMS AND CONDITIONS OF THE NOTE

*The following is the text of the terms and conditions that will be incorporated in the Issue Deed constituting the Note. References to the “Conditions” shall be construed as a reference to these terms and conditions. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Issue Deed. Those definitions will be endorsed on the definitive Note.*

The Note is constituted and secured by the Issue Deed (as defined below) made between the Issuer, the Trustee (as defined in the Issue Deed and that expression shall include all persons for the time being the trustee or trustees under the Trust Deed (as defined below)) and the other persons specified therein. The Issue Deed constitutes and secures the Note by the creation of a trust deed (the “**Trust Deed**”) on the terms (as amended, modified and/or supplemented by the Issue Deed) set out in the master trust terms (the “**Master Trust Terms**”) specified in the Issue Deed. The Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. By executing the Issue Deed, the Issuer has entered into (i) an agency agreement (the “**Agency Agreement**”) with one or more of the parties defined in the Issue Deed as the Issuing and Paying Agent, the Calculation Agent and the Common Depositary, collectively as the “**Agents**” (which expression shall also include the Account Bank (as defined below)), and the Trustee on the terms (as amended, modified and/or supplemented by the Issue Deed) set out in the master agency terms (the “**Master Agency Terms**”) specified in the Issue Deed, (ii) an account bank agreement (the “**Account Bank Agreement**”) with the Account Bank and the Trustee on the terms (as amended, modified and/or supplemented by the Issue Deed) set out in the master account bank terms (the “**Master Account Bank Terms**”) specified in the Issue Deed and (iii) a dealer agreement (the “**Dealer Agreement**”) with the Placement Agent (as amended, modified and/or supplemented by the Issue Deed) as set out in the master dealer terms (the “**Master Dealer Terms**”). Copies of the Master Trust Terms, the Master Agency Terms, the Master Account Bank Terms, the Master Dealer Terms and the Issue Deed in relation to the Note together with the Swap (as defined below) are available for inspection during usual business hours at the principal office of the Trustee and at the specified offices of the Issuing and Paying Agent.

The Noteholder (as defined below), the holder of the interest coupons (the “**Coupons**”) relating to the Note (the “**Couponholder**”) and the holder of the receipts for the payment of instalments of principal (the “**Receipts**”) relating to the Note are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Issue Deed (and all provisions incorporated by reference therein) and are deemed to have notice of those provisions applicable to them of the Master Trust Terms, the Master Agency Terms and the Master Account Bank Terms.

All capitalised terms that are used but not defined in these Conditions will have the meanings given to them in the Issue Deed. In the event of any inconsistency between these terms and conditions and the Issue Deed, the Issue Deed shall prevail.

## 1 DEFINITIONS

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For the purposes of these Conditions:

“**Account Bank**” means Citigroup, N.A., London Branch.

“**Accretion Cashflow**” means, in respect of any day, an amount equal to the “Floating Amount B” minus the “Floating Amount C” in respect of such day, each as defined in the Confirmation.

“**Applicable Accounting Standards**” has the meaning set out in Condition 7(c)(i)(A)(I) below.

“**Applicable Tax Laws**” has the meaning set out in Condition 7(c)(i)(A)(I) below.

“**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London.

“**Calculation Agent**” means Citibank N.A., London Branch.

“**Cash**” means, all cash or cash equivalents in any currency received and held on the terms of the Master Documents or relevant agreements.

“**Cash Account**” has the meaning given to it in the Account Bank Agreement.

“**Cash Proceeds**” means any Cash held by or on behalf of the Issuer in relation to the Note (including, for the avoidance of doubt, any Cash amounts comprising the Net Proceeds).

“**Clearing System**” means each of Clearstream, Luxembourg and Euroclear.

“**Clearstream, Luxembourg**” means Clearstream Banking, société anonyme or any successor thereto.

“**Creditor**” means each person that is entitled to the benefit of the Issuer Obligations.

“**CRS**” means (i) the Common Reporting Standard developed for the automatic exchange of financial account information by the Organisation for Economic Co-Operation and Development (“**OECD**”), including all OECD commentary and guidance notes relating or pursuant thereto, or for the purposes of implementing the same, (ii) the EU Directive on Administrative Cooperation in the Field of Taxation and (iii) the Returns of Certain Information by Reporting Financial Institutions Regulations 2015 to implement in Ireland the Common Reporting Standard developed for the automatic exchange of financial account information by the OECD.

“**CTA**” means the amended and restated common terms agreement between, among others, the Issuer (by way of accession) and the Swap Counterparty dated 15 July 2015, as amended, supplemented and restated from time to time.

“**directive**” includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank, department, government, legislature, minister, ministry, official, public or statutory corporation, self-regulating organisation or stock exchange.

“**Discriminatory STID Proposal**” means a STID Proposal:

- (i) which has the effect that the rights or standing of the Issuer are materially prejudiced where such material prejudice does not apply to any other Secured Creditor other than a Hedge Counterparty (each as defined in the MDA) which is a party to an Alternative to Criteria Hedging Agreement (as defined in the CTA);
- (ii) in respect of which the Issuer (or the Representative on its behalf) notifies the Swap Counterparty in writing that it considers that such STID Proposal is a “**Discriminatory STID Proposal**” (such notice, a “**Discriminatory STID Proposal Notice**”) within a period of 15 Business Days commencing with the date that the relevant STID Directions Request (as defined in the MDA) is deemed to be given in accordance with clause 17.3 (*Effectiveness*) of the CTA; and
- (iii) in respect of which the Issuer (or the Representative on its behalf) provides written reasons in the Discriminatory STID Proposal Notice as to why it considers that such STID Proposal is a Discriminatory STID Proposal.

“**Early Redemption Amount**” has the meaning set out in Condition 7(b) below.

**“Early Redemption Date”** means the date designated as the due date for any early redemption of the Note in accordance with Condition 7 below.

**“Early Redemption Event”** has the meaning set out in Condition 7(c) below.

**“Early Termination Date”** has the meaning given to it in the Swap.

**“Enforcement Proceeds”** means the aggregate net proceeds of the realisation of the Security Interests by the Trustee or any receiver under Condition 4(c) below and the Trust Deed.

**“Euroclear”** means Euroclear Bank S.A./N.V. or any successor thereto.

**“Events of Default”** has the meaning set out in Condition 7(d) below.

**“FATCA”** means:

- (i) sections 1471 to 1474 of the U.S. Internal Revenue Code or any associated regulations or other official guidance;
- (ii) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (i) above; or
- (iii) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (i) or (ii) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction.

**“FATCA Withholding”** means any deduction or withholding imposed on any payments in respect of the Note pursuant to FATCA.

**“GBP”** means the lawful currency of the United Kingdom.

**“holder”** means the bearer of the Note or any Receipt or Coupon.

**“Illegality Event”** has the meaning set out in Condition 7(c)(iii) below.

**“Instalment Amount”** has the meaning set out in Condition 7(a)(i).

**“Instalment Amount Payment Date”** has the meaning set out in Condition 7(a)(i).

**“Interest Amount”** has the meaning set out in Condition 6(a) below.

**“Interest Amount Payment Date”** means has the meaning set out in Condition 6(a) below.

**“Interim Distribution Date”** has the meaning set out in Condition 4(d)(ii) below.

**“Investment Company Act”** means the U.S. Investment Company Act of 1940, as amended.

**“Irish Stock Exchange”** means The Irish Stock Exchange plc.

**“ISDA”** means the International Swaps and Derivatives Association, Inc.

**“ISDA Definitions”** means the 2006 ISDA Definitions, as published by ISDA.

**“Issue Date”** means 21 December 2017.

**“Issue Deed”** means an issue deed in respect of the Note dated on or about the Issue Date and made between the Issuer, the Trustee (as defined in the Issue Deed) and the other persons specified therein.

**“Issue Price”** means 100 per cent. of the original Nominal Amount.

**“Issuer”** means Aysgarth Finance Designated Activity Company.

**“Issuer Obligations”** means:

- (i) the obligations and duties of the Issuer under the Issue Deed, the Trust Deed, the Note, each Coupon, each Receipt, the Agency Agreement, the Account Bank Agreement and the Dealer Agreement; and
- (ii) the claims of the Account Bank, the Issuing and Paying Agent and/or the Placement Agent,

including, without limiting the generality thereof, claims for unpaid fees and expenses or for reimbursement in respect of payments properly made to any person in discharge of an Issuer Obligation.

**“Liquidation”** has the meaning set out in Condition 7(h) below.

**“Master Documents”** means the prospectus relating to the Note and the Issue Deed, including the agreements created by such Issue Deed.

**“Maturity Date”** means the Instalment Amount Payment Date relating to the final Accretion Cashflow, which is scheduled to be the Business Day after 21 February 2048.

**“MDA”** means the amended and restated master definitions agreement between, among others, the Issuer (by way of accession) and the Swap Counterparty dated 15 July 2015, as amended, supplemented and restated from time to time.

**“Net Proceeds”** means (i) any amount paid by the Swap Counterparty or transferee to the Issuer as a result of the termination, transfer or novation of the Swap (including as a result of a Liquidation) and (ii) in the event that the Note is to be redeemed, all other sums available to the Issuer derived from the Secured Property.

**“Nominal Amount”** means, in respect of the Note, its Specified Denomination.

**“Noteholder”** means the bearer of the Note.

**“Obligor”** means each person that has an obligation to the Issuer pursuant to the Agency Agreement, the Account Bank Agreement and the Swap.

**“Official List”** means the official list of the Irish Stock Exchange.

**“Other Series”** means notes issued by the Issuer other than the Note, provided that (i) such Other Series is issued on a limited recourse basis, (ii) the amounts due under such Other Series are equal to the payments under one or more inflation-linked swap transactions in respect of which the counterparty is the Swap Counterparty and all ongoing net payments will only be due from the Swap Counterparty to the Issuer (and not *vice versa*), (iii) the maturity date of such Other Series falls not later than 2063, (iv) the Trustee and the Agents are the trustee and agents for such Other Series and (v) the other terms and conditions of such Other Series (other than the nominal amount and the amounts and dates of payment of principal and interest) are substantially the same as the Conditions. For the avoidance of doubt, each of Series 1, 2, 3, 4, 5, 6, 7 and 8 Secured Inflation Linked Notes due 2063 issued by the Issuer on 4 June 2015 and each of Series 9, 10, 11, 12, 13 and 14 Secured Inflation Linked Notes due 2048 issued by the Issuer on or about the Issue Date shall be an “Other Series”.

**“Placement Agent”** means Barclays Bank PLC acting in such capacity.

**“Potential Event of Default”** means an event or circumstance that could with the giving of notice, lapse of time and/or issue of a certificate become an Event of Default.

**“Priority of Claims”** means the relevant order of priority set out in Clause 7.2 of the Trust Deed (as described in Condition 4(d)(iii) below).

**“Real Coupon Cashflow”** means the “Floating Amounts A” as defined in the Confirmation.

**“Redemption Amount”** means the final Instalment Amount or the Early Redemption Amount, as the context so requires.

**“Refusal Notice”** means:

- (i) a certificate delivered by the Issuer (or the Representative on its behalf) to the YW Security Trustee pursuant to clause 9.3.4 (*Notice to Secured Creditors of STID Proposal*) of the STID in which the Issuer (or the Representative on its behalf) states that it is of the opinion that its consent is required to implement a specific STID Proposal and that it does not give such consent; and/or
- (ii) an Entrenched Rights or Reserved Matters Notice (as defined in the MDA) delivered by the Issuer (or the Representative on its behalf) pursuant to clause 9.3.6(a) (*Notice to Secured Creditors of STID Proposal*) of the STID,

specified to relate to the Swap.

**“Relevant Date”** means, in respect of the Note or any Receipt or Coupon, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholder that, upon further presentation of the Note, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

**“Representative”** means the Issuer’s Secured Creditor Representative (as defined in the MDA) in respect of the Swap.

**“Secured Agreement”** means each of the Agency Agreement, the Account Bank Agreement, the Swap and the YWS Agreements.

**“Secured Party”** has the meaning set out in Condition 4(a) below.

**“Secured Property”** means the assets and contractual rights in respect of the agreements comprising the property on which the Note is secured, as specified in the Issue Deed.

**“Securities Act”** means the U.S. Securities Act of 1933, as amended.

**“Security Interests”** has the meaning set out in Condition 4(a) below.

**“Shortfall”** means the difference between the amount of the Enforcement Proceeds or Net Proceeds (as the case may be) and the amount that would but for Condition 11 below have been due under the Issuer Obligations.

**“Specified Denomination”** means GBP 51,274,864.

**“Specified Currency”** means GBP.

**“specified office”** means, in relation to a Paying Agent, the office identified with its name at the end of the Conditions or any other office approved by the Trustee and notified to the Noteholder pursuant to clause 8.1.6 of the Master Trust Terms.

**“STID”** means the security trust and intercreditor deed between, among others, the Issuer (by way of accession) and the Swap Counterparty dated 24 July 2009, as amended, supplemented and restated from time to time.

**“STID Proposal”** has the meaning given to it in the YWS Agreements.

**“Swap”** means the agreement comprising a 1992 ISDA Master Agreement and schedule thereto, a Credit Support Annex (Bilateral Form – Transfer) and the inflation-linked swap transaction between the Issuer and the Swap Counterparty as evidenced by a confirmation (the **“Confirmation”**) dated on or about the Issue Date and relating to the Note.

**“Swap Counterparty”** means Yorkshire Water Services Limited.

**“Swap Counterparty Event”** means, in accordance with the terms of the Swap, that an Event of Default (as defined in the Swap) has occurred with respect to the Swap Counterparty or a Termination Event (as defined in the Swap) has occurred where the Issuer has the right to designate an Early Termination Date in respect of all outstanding transactions under the Swap.

**“Swap Event”** has the meaning set out in Condition 7(c)(ii) below.

**“TARGET System”** means the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET2) system or any successor thereto.

**“Taxes”** means all taxes, levies, imposts, charges, assessments, deductions, withholdings and related liabilities, including additions to tax, penalties and interest imposed on or in respect of (i) Cash, (ii) the transactions effected under the Issue Deed or (iii) the Issuer; provided that **“Taxes”** does not include income or franchise taxes imposed on or measured by the net income of the Account Bank or its agents.

**“Tax Event”** has the meaning set out in Condition 7(c)(i) below.

**“Transaction Agreement”** means any agreement entered into between, among others, the Issuer and any Transaction Counterparty.

**“Transaction Counterparty”** means any of the Trustee, the Agents, the Account Bank, the Swap Counterparty and the Placement Agent in relation to the Note, and **“Transaction Counterparties”** shall refer to all of them.

**“Trust Deed”** means the deed created by the Issue Deed relating to the Note, comprising the Master Trust Terms as supplemented and/or amended as provided by the Issue Deed.

**“Trustee”** means Citicorp Trustee Company Limited.

**“Written Resolution”** means a resolution in writing signed by the holder of the Note.

**“YW Security Trustee”** means Deutsche Trustee Company Limited as security trustee under the YWS Agreements or any successor thereto.

**“YWS Agreements”** means the CTA, the STID and the MDA.

**“YWS Disclosure Representation Letter”** means a letter deed dated on or about the Issue Date pursuant to which YWS has undertaken to the Issuer that it will, regardless of whether it or its subsidiaries has bonds in



issue, make public disclosure of information which it would be required to make if it were the issuer of bonds admitted to trading on a “regulated market”, a “multilateral trading facility” or an “organised trading facility”, within the meaning of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.

References in these Conditions to:

- (i) “principal” shall be deemed to include any premium payable in respect of the Note, each Instalment Amount, Early Redemption Amount and all other amounts in the nature of principal payable pursuant to Condition 7 below or any amendment or supplement to it; and
- (ii) “interest” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 below or any amendment or supplement to it.

## **2 FORM, SPECIFIED DENOMINATION AND TITLE**

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The Note is issued in bearer form in the Specified Denomination. The Note is issued with Coupons and Receipts attached.

Title to the Note and the Receipts and Coupons shall pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law, the holder of the Note or any Receipt or Coupon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

## **3 STATUS, OBLIGATIONS AND NON-APPLICABILITY**

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The Note is a secured, limited recourse obligation of the Issuer, secured in the manner described in Condition 4 below and recourse in respect of which is limited in the manner described in Condition 11 below.

## **4 SECURITY INTERESTS AND THE SECURED PROPERTY**

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### **4(a) Security Interests**

Pursuant to the Trust Deed, the Issuer has secured the Issuer Obligations in respect of the Note by granting in favour of the Trustee for itself and for the benefit of each of the parties to whom the Issuer owes Issuer Obligations (each, a “Secured Party” and, collectively, the “Secured Parties”):

- 4(a)(i) an assignment by way of security of the Issuer’s rights, title and interest under the Agency Agreement and the Account Bank Agreement;
- 4(a)(ii) a first fixed charge over the Issuer’s rights, title and interest under the YWS Disclosure Representation Letter;
- 4(a)(iii) a first fixed charge over the Issuer’s rights, title and interest under (A) the Swap and (B) to the extent that such rights, title and interest relate to the Swap, the YWS Agreements; and
- 4(a)(iv) a first fixed charge over (A) all sums held by the Issuing and Paying Agent to meet payments due in respect of any such Issuer Obligation and (B) all sums held by the Account Bank in respect of any such Issuer Obligation.

References in these Conditions to “**Security Interests**” are to the security constituted by the Trust Deed in respect of the Note.

#### **4(b) Enforcement of Security Interests**

- 4(b)(i)** The Security Interests over the Secured Property shall become enforceable upon the occurrence of an Event of Default.
- 4(b)(ii)** Following receipt by the Trustee of express notice of the occurrence of an Event of Default and the Security Interests becoming enforceable, the Secured Parties (other than the Trustee) shall provide the Trustee with confirmation in writing of any and all amounts due and owing to them under or in relation to the Note and/or the Transaction Agreements for the purposes of applying any moneys received by it under the provisions of the Trust Deed in connection with the realisation or enforcement of the Security Interests in accordance with Clause 7.2 of the Trust Deed (as described in Condition 4(d)(ii) below).

#### **4(c) Realisation of Security Interests**

If any Security Interests become enforceable, only the Trustee may at its discretion and shall, on receipt of a Written Resolution, enforce the Security Interests constituted by the Trust Deed, in each case, provided it has been indemnified and/or secured and/or pre-funded to its satisfaction. To do this, it may at its discretion enforce and/or terminate the Agency Agreement and/or the Account Bank Agreement and/or the Swap in accordance with its or their terms, and/or take action against any Obligor but without any liability as to the consequence of such action and without having regard to the effect of such action on the Noteholder, the Couponholder or the holder of Receipts. The Trustee shall not be required to take any action in relation to the enforcement of the Security Interests that would involve any personal liability or expense without first being indemnified and/or secured and/or pre-funded to its satisfaction.

#### **4(d) Application of Proceeds**

- 4(d)(i)** If an Early Redemption Event occurs, the Issuer shall apply all Net Proceeds in accordance with the order prescribed in Clause 7.2 of the Trust Deed and described in Condition 4(d)(iii) below.
- 4(d)(ii)** If any Security Interests become enforceable, the Trustee (or a receiver appointed by the Trustee in accordance with the Trust Deed) (as applicable) shall apply all moneys received by it under the provisions of the Trust Deed in connection with the realisation or enforcement of the Security Interests relating to the Note, subject to the provisions of the Trust Deed, in accordance with the order prescribed in Clause 7.2 of the Trust Deed and described in Condition 4(d)(iii) below.

Notwithstanding this Condition 4(d), the Trustee or a receiver appointed by it may, on any one or more dates selected by the Trustee in its sole discretion prior to its having received all Enforcement Proceeds (each such date, an “**Interim Distribution Date**”), apply any Enforcement Proceeds that have been received by it prior to that Interim Distribution Date in making payments in accordance with the Priority of Claims, provided that the Trustee may not make any payment to any Creditor to the extent that the claims of any prior ranking Secured Party under the Priority of Claims have either not been met in full or where further claims may arise in respect of any such prior ranking Secured Party (unless such Secured Party confirms in writing to the Trustee and/or the receiver that its claims (if any) then existing or any further claims that may arise are fully satisfied and discharged). In making any such distribution, the Trustee (or the

receiver) may retain such part of the Enforcement Proceeds as the Trustee (or the receiver), in its absolute discretion, sees fit in order to meet any further claims which may arise in respect of any such prior ranking Secured Party under Clause 7.2 of the Trust Deed (as described in Condition 4(d)(iii) below).

**4(d)(iii)** The order for the application of all such moneys (i) received by the Trustee (or any receiver appointed by it) in connection with the realisation or enforcement of the Security Interests relating to the Note or (ii) received or directed for payment by (or on behalf of) the Issuer in connection with the Liquidation of the Swap shall be applied, in each case:

(A) As follows:

- a. first, in payment or satisfaction of the fees, costs, charges, expenses and liabilities incurred by the Trustee or any receiver in preparing and executing the trusts under the Trust Deed (including any taxes required to be paid, the costs of realising any security and the Trustee's remuneration) and in carrying out its functions under the Trust Deed;
- b. secondly, in meeting any Issuing and Paying Agent Claim, Account Bank Claim and the claims of all other Agents, *Pari Passu* Ranking;
- c. thirdly, in meeting any Noteholder Claim;
- d. fourthly, in meeting any Placement Agent Claim; and
- e. fifthly, in payment of any balance to the Issuer.

(B) Any Creditor that has a claim in respect of more than one Issuer Obligation may rank differently in respect of each Issuer Obligation.

(C) If the moneys received following the Liquidation of the Swap or enforcement of Security Interests (as applicable) are not enough to pay in full all amounts to persons whose claims rank rateably, the Issuer or the Trustee (or any receiver appointed by the Trustee) (as applicable) shall apply the moneys *pro rata* on the basis of the amount due to each party entitled to such payment.

**4(d)(iv)** Unless otherwise provided, references herein and in the Issue Deed to:

- (A) **"Issuing and Paying Agent Claim"** means the claims of the Issuing and Paying Agent for unpaid fees and expenses and/or reimbursement of payments properly made by it to any person in discharge of an Issuer Obligation;
- (B) **"Account Bank Claim"** means the claims of the Account Bank for unpaid fees and expenses and/or reimbursement of payments properly made by it to any person under the Account Bank Agreement;
- (C) **"Placement Agent Claim"** means, in respect of the Note, the claims of any Placement Agent under the Dealer Agreement;
- (D) **"Noteholder Claim"** means the claims of the Noteholder, the holder of Receipts and the Couponholder in respect of the Note, Coupons and Receipts, provided that claims in respect of amounts representing interest shall rank ahead of claims in respect of amounts representing principal;

(E) “**Pari Passu Ranking**” stated in the Issue Deed in respect of any claims referred to in Condition 4(d)(iii)(A) above means that such claims shall rank rateably *inter se*; and

(F) any person by name are to the claims of that person as a Creditor in the capacity or capacities identified in the Issue Deed.

**4(e) Issuer’s Rights under the Swap and the YWS Agreements**

**4(e)(i)** The Issuer shall procure that a copy of any notices or communications (including, without limitation, any notices or communications in respect of any STID Proposal) received by the Issuer (in its capacity as a party to the Swap and/or the YWS Agreements) shall promptly be forwarded to the Noteholder in accordance with Condition 14 below.

**4(e)(ii)** Without prejudice to Condition 4(e)(iii) below, the Issuer will not give any consent, waiver or notification or exercise any rights under the Swap or the YWS Agreements unless it is directed to do so by a Written Resolution and, if such direction is given, the Issuer will act only in accordance with such direction.

**4(e)(iii)** If directed to do so by a Written Resolution, the Issuer will give a Refusal Notice to the YW Security Trustee within one Business Day of receiving such direction. In addition, the Representative may give a Refusal Notice on behalf of the Issuer.

**4(e)(iv)** If the Noteholder directs the Issuer by Written Resolution to notify the Swap Counterparty that a STID Proposal is a Discriminatory STID Proposal, and such Written Resolution includes the reasons that the STID Proposal is a Discriminatory STID Proposal, the Issuer will give a Discriminatory STID Proposal Notice to the Swap Counterparty within one Business Day of receiving such direction. In addition, the Representative may give a Discriminatory STID Proposal Notice on behalf of the Issuer. Subject to Condition 4(e)(v) below, the Issuer as directed by the Noteholder shall, or the Representative may, conduct any discussions with the Swap Counterparty regarding such STID Proposal.

**4(e)(v)** If the Noteholder directs the Issuer to exercise any rights in its capacity as a party to the Swap and/or the YWS Agreements, the Noteholder shall pre-fund the Issuer with respect to any costs and expenses which the Issuer may be required to pay in connection with the Issuer’s exercise of such rights.

## **5 RESTRICTIONS**

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The Issuer has under the Trust Deed agreed to certain restrictions on its business. In particular, the Issuer has agreed that, subject as set out below, it will not, without the prior written consent of the Trustee, incur any other indebtedness for borrowed moneys or engage in any business, have any subsidiaries (although it may establish branches in jurisdictions other than its jurisdiction of incorporation and may appoint agents in respect of the administration thereof) or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (otherwise than as contemplated in these Conditions and the Trust Deed) or issue any further shares. Notwithstanding the foregoing, the Issuer may issue Other Series and enter into the related agreements.

## 6 INTEREST AND OTHER CALCULATIONS

### 6(a) Interest on the Note

On the day (each such date, an “Interest Amount Payment Date”) falling one Business Day after each date on which any Real Coupon Cashflow is received by or on behalf of the Issuer under the Swap, an amount (each, an “Interest Amount”) equal to such Real Coupon Cashflow received by or on behalf of the Issuer shall be paid to the Noteholder.

Subject to any postponement or non-payment under the terms of the Swap and the YWS Agreements, the Interest Amount Payment Dates and Interest Amounts are expected to be:

Interest Amount Payment Dates (one Business Day after the following dates):	Interest Amounts:
21 August and 21 February in each year from, but excluding, 21 February 2031 to, and including, 21 February 2048	$\text{GBP } 32,217,032.85 \times 1.6119\% \text{ per annum} \times \left( \frac{\text{UKRPI}_t}{\text{UKRPI}_{\text{base}}} \right) \times \text{Day Count Fraction}$

Where:

**Day Count Fraction** means the “Floating Rate A Day Count Fraction” as defined in the Confirmation.

**UKRPI<sub>t</sub>** means the UKRPI level for the reference month that is three months preceding the respective Interest Amount Payment Date.

**UKRPI<sub>base</sub>** means 209.7.

**UKRPI** means GBP - Non-revised Retail Price Index.

### 6(b) Rounding

For the purposes of any calculations required pursuant to the Conditions, (i) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded down), (ii) all figures shall be rounded to seven significant figures (provided that, if the eighth significant figure is a five or greater, the seventh significant figure shall be rounded down) and (iii) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded down). For these purposes, “unit” means the lowest amount of such currency that is available as legal tender in the country of such currency.

### 6(c) Determination and Publication

The Calculation Agent shall calculate the Interest Amount, the Instalment Amount and the Early Redemption Amount, and cause such amounts to be notified to the Trustee, the Issuer, the Issuing and Paying Agent, the Noteholder and the Irish Stock Exchange or any relevant authority as soon as possible after their determination but in no event later than the fourth Business Day after such determination. The determination

of any amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

#### 6(d) Determination or Calculation by Trustee

If the Calculation Agent (including, for the purposes of this Condition 6(d), any replacement Calculation Agent appointed pursuant to Condition 6(e) below) does not at any time for any reason determine or calculate the Interest Amount, the Instalment Amount or the Early Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 6(d), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

#### 6(e) Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agents for so long as the Note is outstanding. Without prejudice to Condition 6(d), if the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to calculate the Early Redemption Amount or to comply with any other requirement, the Issuer shall seek the Noteholder's direction and, if directed to do so by a Written Resolution, appoint a replacement calculation agent in accordance with such direction to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. Except to the extent that the Calculation Agent has acted negligently or fraudulently or is in wilful breach of its duties, the Calculation Agent shall not be liable to the Trustee or the Noteholder for any expense, loss or damage suffered by or occasioned to them. In any event, the Calculation Agent shall not be responsible for any direct loss or indirect consequential losses, notwithstanding it having been advised of the possibility of such loss.

## 7 REDEMPTION, PURCHASE AND OPTIONS

### 7(a) Redemption by Instalments and Final Redemption

- 7(a)(i) Unless previously redeemed, purchased and/or cancelled as provided in this Condition 7, on the day (each such date, an "**Instalment Amount Payment Date**") falling one Business Day after each date on which any Accretion Cashflow is received by or on behalf of the Issuer under the Swap, an amount (each, an "**Instalment Amount**") equal to such Accretion Cashflow received by or on behalf of the Issuer shall be paid to the Noteholder.

Subject to any postponement or non-payment under the terms of the Swap and the YWS Agreements, the Instalment Amount Payment Dates and Instalment Amounts are expected to be:

Instalment Amount Payment Dates (one Business Day after the following dates):	Instalment Amounts:
21 August 2026	$\text{GBP } 32,217,032.85 \times \left( \frac{\text{High Water Mark (May 26)} - \text{High Water Mark (May 21)}}{\text{UKRPI}_{\text{base}}} \right)$

21 August 2031	$\text{GBP } 32,217,032.85 \times \left( \frac{\text{High Water Mark (May 31)} - \text{High Water Mark (May 26)}}{\text{UKRPI}_{\text{base}}} \right)$
21 August 2036	$\text{GBP } 32,217,032.85 \times \left( \frac{\text{High Water Mark (May 36)} - \text{High Water Mark (May 31)}}{\text{UKRPI}_{\text{base}}} \right)$
21 August 2041	$\text{GBP } 32,217,032.85 \times \left( \frac{\text{High Water Mark (May 41)} - \text{High Water Mark (May 36)}}{\text{UKRPI}_{\text{base}}} \right)$
21 August 2046	$\text{GBP } 32,217,032.85 \times \left( \frac{\text{High Water Mark (May 46)} - \text{High Water Mark (May 41)}}{\text{UKRPI}_{\text{base}}} \right)$
21 February 2048	$\text{GBP } 32,217,032.85 \times \left( \frac{\text{High Water Mark (Nov 47)} - \text{High Water Mark (May 46)}}{\text{UKRPI}_{\text{base}}} \right)$

where:

**High Water Mark (May 21)** means the UKRPI level for the reference month of May 2021.

**High Water Mark (May 26)** means the greater of (a) the UKRPI level for the reference month of May of 2026 and (b) High Water Mark (May 21).

**High Water Mark (May 31)** means the greater of (a) the UKRPI level for the reference month of May of 2031 and (b) High Water Mark (May 26).

**High Water Mark (May 36)** means the greater of (a) the UKRPI level for the reference month of May of 2036 and (b) High Water Mark (May 31).

**High Water Mark (May 41)** means the greater of (a) the UKRPI level for the reference month of May of 2041 and (b) High Water Mark (May 36).

**High Water Mark (May 46)** means the greater of (a) the UKRPI level for the reference month of May of 2046 and (b) High Water Mark (May 41).

**High Water Mark (Nov 47)** means the greater of (a) the UKRPI level for the reference month of November 2047 and (b) High Water Mark (May 46).

**UKRPI<sub>base</sub>** means 209.7.

**UKRPI** means GBP - Non-revised Retail Price Index.

**7(a)(ii)** Unless previously redeemed, purchased and/or cancelled, the Note shall be finally redeemed on the Maturity Date by payment by the Issuer of the final Instalment Amount (if any).

**7(a)(iii)** Notwithstanding any provision to the contrary, if at any time prior to the redemption of the Note pursuant to this Condition 7(a):

(A) the Note is declared immediately due and payable pursuant to Condition 7(d) below; or

- (B) notice of an Early Redemption Date in respect of the Note is given pursuant to Condition 7(c)(i), 7(c)(ii) or 7(c)(iii) below,

then the Note shall not be redeemed in accordance with this Condition 7(a) and the provisions of Condition 7(c)(i), 7(c)(ii), 7(c)(iii) or 7 (d) below shall apply as appropriate.

#### **7(b) Early Redemption**

Following the occurrence of an Early Redemption Event (as described below), the Note will be redeemed by payment of the Early Redemption Amount on the Early Redemption Date.

The “**Early Redemption Amount**” payable in respect of the Note shall be, in respect of a Tax Event, Illegality Event, Swap Event or Event of Default, an amount equal to:

- (A) if the Security Interests have been enforced, the Enforcement Proceeds; or
- (B) if the Security Interests have not been so enforced, the Net Proceeds (including, for the avoidance of doubt, any Cash Proceeds comprising such Net Proceeds),

in each case, after applying the Cash Proceeds according to the Priority of Claims set out in Condition 4(d)(iii) above.

For the avoidance of doubt, the Early Redemption Amount may be less than the Nominal Amount of the Note being redeemed.

#### **7(c) Early Redemption Events**

Each of the following events shall be an “**Early Redemption Event**” for the purposes of the Note: (i) a Tax Event, (ii) a Swap Event and (iii) an Illegality Event.

##### **7(c)(i) Tax Event**

- (A) Subject to Condition 7(c)(i)(B) below and provided that the Issuer has not given notice of an Early Redemption Date or no Early Redemption Date has occurred pursuant to any other Condition, the Issuer shall, as soon as is reasonably practicable and in any event not less than 15 nor more than 30 calendar days prior to the relevant Early Redemption Date after becoming aware of (whether by notice thereof from the Calculation Agent or otherwise) the occurrence of a Tax Event, give notice of such Tax Event to the Trustee, each Agent, the Noteholder and the Swap Counterparty and, upon the giving of such notice, the Note shall become due for redemption on the Early Redemption Date specified in such notice at its Early Redemption Amount.

A “**Tax Event**” will occur if:

- (I) either the Issuer or the Calculation Agent determines that, on the due date for any payment in respect of the Note, Receipt or Coupon the Issuer will be required (x) by any applicable law and/or (y) as a result of any change in, or proposed change in, or amendment to or proposed amendment to, the accounting standards, practices or guidelines applicable in the jurisdiction of incorporation of the Issuer (“**Applicable Accounting Standards**”) or applicable tax law, practices or guidelines applicable in the jurisdiction of incorporation of the Issuer (“**Applicable Tax Laws**”) and/or (z) as a result of any change in, or proposed change in, the application of the official or generally published interpretation of the Applicable Accounting Standards or Applicable Tax Laws to withhold, deduct or account for an amount for any present or future taxes, duties or charges of whatsoever nature (other than a withholding or deduction in



respect of FATCA) so that it would be unable to make in full the payment in respect of the Note, Receipt or Coupon in respect of such due date; and/or

- (II) on the due date for any payment in respect of the Note, Receipt or Coupon, such a withholding, deduction or account is actually made in respect of any payment in respect of the Note, Receipt or Coupon.
- (B) Notwithstanding the foregoing, if the Issuer is directed by a Written Resolution (with a copy to the Trustee) prior to the Early Redemption Date, or if the requirement to withhold, deduct or account for any present or future taxes, duties or charges of whatsoever nature referred to in Condition 7(c)(i)(A) above arises solely as a result of:
- (I) a connection of the Noteholder, Couponholder or holder of Receipt with the jurisdiction of incorporation of the Issuer otherwise than by reason only of the holding of the Note or receiving or being entitled to any payment in respect thereof;
  - (II) a withholding or deduction imposed on a payment by or on behalf of the Issuer to an individual required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
  - (III) the presentation for payment of the Note or any Receipt or Coupon by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union,

then, to the extent possible, the Issuer shall deduct such taxes, duties or charges, as applicable, from the amount(s) payable to the Noteholder, holder of Receipts or Couponholder and the Issuer shall not give notice pursuant to Condition 7(c)(iii)(A) above. Any such deduction shall not constitute an Event of Default.

For the avoidance of doubt, none of the Issuer, the Trustee or the Calculation Agent shall be required to monitor, enquire or satisfy itself as to whether any Tax Event has occurred. Neither the Trustee nor the Calculation Agent shall have any obligation, responsibility or liability for giving or not giving any notice thereof to the Issuer or any Creditor. If the Issuer effectively gives a notice to the Trustee of the occurrence of a Tax Event, the Trustee shall be entitled to rely conclusively on such notice without further investigation.

#### **7(c)(ii) Swap Event**

- (A) If a Swap is terminated in whole, or is required to be novated by the Issuer, for any reason (a “**Swap Event**”), then the Issuer shall give notice thereof (as soon as is reasonably practicable) to the Trustee, the Calculation Agent, each Agent and the Noteholder, and upon the giving of such notice the Note shall become due for redemption on the fifth Business Day after the final Net Proceeds or Enforcement Proceeds are received (which shall be the Early Redemption Date) at the Early Redemption Amount.
- (B) If, prior to the Maturity Date:
  - (I) pursuant to the terms of the Swap, the Issuer becomes aware that it is able to exercise a right to designate an Early Termination Date in respect of any or all outstanding transactions under

the Swap pursuant to the occurrence of a Swap Counterparty Event and such right is then continuing;

(II) no Early Termination Date has already been designated or occurred under the Swap; and

(III) no Early Redemption Date has occurred under any other Condition,

the Issuer shall, as soon as is practicable after becoming aware of the same, notify the Noteholder in accordance with Condition 14 below and the Trustee in writing of the same. Following delivery of such notice from the Issuer, the Issuer shall, if so directed by a Written Resolution, provided that no Early Redemption Date has occurred pursuant to any other Condition, exercise its right to designate an Early Termination Date in respect of any or all outstanding transactions under the Swap.

Subject to the Issuer still having such designation right, the Issuer shall, as soon as reasonably practicable following such direction, designate an Early Termination Date in respect of all outstanding transactions under the Swap and shall then notify the Noteholder in accordance with Condition 14 below and the Trustee in writing of the same. Such notice shall constitute a notice for purposes of Condition 7(c)(ii)(A) above.

If the Swap Counterparty fails to pay when due any amount payable upon termination of the Swap, the Issuer shall, as soon as practicable after becoming aware of the same, notify the Noteholder in accordance with Condition 14 below and the Trustee in writing of the same. The Issuer will take such actions to enforce its rights under the Swap as directed by a Written Resolution of the Noteholder.

For the avoidance of doubt, neither the Issuer nor the Trustee shall be required to monitor, enquire or satisfy itself as to whether any Swap Event or Swap Counterparty Event has occurred. If the Issuer effectively gives a notice to the Trustee of the occurrence of a Swap Event or Swap Counterparty Event, the Trustee shall be entitled to rely on such notice without further investigation and without incurring any liability to any person for doing so.

#### **7(c)(iii) Illegality Event**

If, due to the adoption of, or any change in, any applicable law after the Issue Date, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful for the Issuer (i) to perform any absolute or contingent obligation to make a payment or delivery in respect of the Note, the Swap or any Master Document or (ii) to comply with any other material provision of any Transaction Agreement (an “**Illegality Event**”), the Issuer shall give notice (as soon as reasonably practicable and in any event not less than 15 or more than 30 calendar days prior to such next payment date) to the Trustee, each Agent, the Noteholder and the Swap Counterparty, and upon the giving of such notice the Note shall become due for redemption on the Early Redemption Date specified in such notice at the Early Redemption Amount.

#### **7(d) Events of Default**

If any of the following events (“**Events of Default**”) occur, the Trustee at its discretion may, and if so directed by a Written Resolution shall (provided, in each case, that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Note is, and it shall immediately become, due and payable at the Early Redemption Amount:

**7(d)(i)** if default is made for more than 14 calendar days in the payment of any sum due in respect of the Note; or

- 7(d)(ii)** if the Issuer does not perform or comply with any one or more of its other obligations under the Note or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 calendar days (or such longer period as the Trustee may permit) after notice of such default shall have been given to the Issuer by the Trustee and, in each case, the Trustee considers such a default to be materially prejudicial to the interests of the Noteholder; or
- 7(d)(iii)** if any order shall be made by any competent court or authority or any resolution passed for the winding-up, (forced or voluntary) liquidation or dissolution of the Issuer or the appointment of an examiner, liquidator or similar official in relation to the Issuer save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms previously approved in writing by the Trustee or by a Written Resolution.

The Issuer has undertaken in the Trust Deed that, annually and also within 14 calendar days of any request by the Trustee, it will send to the Trustee a certificate signed by two of its Directors to the effect that as at a date not more than five calendar days prior to the date of the certificate no Event of Default or a Potential Event of Default has occurred.

#### **7(e) Purchases**

If the Issuer provides the Trustee with a certificate signed by two of its Directors confirming that the Issuer has made arrangements for the reduction in the notional amount of the Swap and for the purchase of the Note, which transactions will leave the Issuer with no assets or net liabilities in respect thereof, the Issuer may purchase the Note (provided that all unmatured Receipts and Coupons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

#### **7(f) Cancellation**

The Note purchased by or on behalf of the Issuer shall be surrendered for cancellation by surrendering the Note together with all unmatured Receipts and Coupons to or to the order of the Issuing and Paying Agent. If so surrendered or if redeemed by the Issuer, the Note shall be cancelled forthwith (together with all unmatured Receipts and Coupons attached thereto or surrendered therewith). The Note so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of the Note shall be discharged.

#### **7(g) Trustee: No Duty to Monitor**

For the avoidance of doubt and for the purposes of these Conditions, the Trustee shall not be required to calculate any Early Redemption Amount and shall have no obligation, responsibility or liability for giving or not giving any notice thereof to the Issuer or the Calculation Agent. The Trustee shall be entitled to rely on any notice given by the Issuer or the Calculation Agent in respect thereof without further enquiry or investigation.

#### **7(h) Liquidation**

- 7(h)(i)** The Issuer (or an agent on its behalf) shall (or in the case of paragraph (B) below, may or, if directed to do so by a Written Resolution, shall) arrange for the transfer or novation of the Swap (a “Liquidation”) if:
- (A) a Tax Event or an Illegality Event occurs; or

- (B) the Swap has been terminated and the Swap Counterparty fails to pay the amount due in connection with such termination.

The Issuer (or an agent on its behalf) shall use all reasonable endeavours to obtain firm bid quotations for the Swap from at least three leading independent dealers in UK inflation-linked swap transactions and shall transfer or novate the Swap to the highest bidder (provided that the Noteholder may match such highest bid (and, if it does, the Issuer shall transfer or novate the Swap to it)).

- 7(h)(ii) Any amount to be paid for the Swap shall be paid by the relevant transferee directly into an interest bearing cash account established with the Account Bank pursuant to the Account Bank Agreement pending distribution of such Net Proceeds in accordance with Condition 4(d)(i) above. The Account Bank shall promptly notify (in writing) the Issuer of the receipt of such amounts that collectively constitute Net Proceeds of the Liquidation of the Swap.

## 8 PAYMENTS

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### 8(a) Presentation

Payments of principal and interest in respect of the Note shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its related Note), Note (in the case of all other payments of principal and, in the case of interest, as specified in Condition 8(c)) or Coupons (in the case of interest, save as specified in Condition 8(c)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in GBP drawn on, or, at the option of the holder, by transfer to an account denominated in GBP with, a Bank. “Bank” means a bank in London.

### 8(b) Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Noteholder, the Couponholder or the holder of Receipts in respect of such payments.

### 8(c) Unmatured Coupons and Receipts

- 8(c)(i) Upon the due date for redemption, unmatured Coupons and Receipts relating to the Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons or Receipts.
- 8(c)(ii) Where the Note is presented for redemption without all unmatured Coupons and Receipts, redemption shall be made only against the provision of such indemnity as the Issuer may require.

### 8(d) Non-Business Days

If any date for payment in respect of the Note or any Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 8(d), “business day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of

presentation and on which foreign exchange transactions may be carried on in the relevant currency in London.

#### **8(e) Prescription**

Claims against the Issuer for payment in respect of the Note, Receipts and Coupons shall be prescribed and become void unless made within 10 years (in the case of the principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

#### **8(f) Withholding or deductions on payments in respect of the Note**

Without prejudice to Condition 7(c)(i) above, all payments in respect of the Note will be made subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature that the Issuer or any Agent is required by applicable law to make. In that event, the Issuer or such Agent shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount(s) so required to be withheld or deducted. Neither the Issuer nor any Agent will be obliged to make any additional payments to the Noteholder in respect of such withholding or deduction. For the purposes of this Condition 8(f), any FATCA Withholding shall be deemed to be required by applicable law.

#### **8(g) FATCA Information**

The Noteholder and beneficial owner of the Note shall provide the Issuer and/or any agent acting on behalf of the Issuer with such documentation, information or waiver as may be requested by the Issuer and/or any agent acting on behalf of the Issuer in order for the Issuer to comply with any obligations it, and/or any agent acting on its behalf, may have under FATCA or CRS and under any agreement entered into by the Issuer and/or any agent acting on behalf of the Issuer pursuant to, or in respect of, FATCA or CRS. The Noteholder and beneficial owner of the Note further agrees and consents that, in respect of FATCA or CRS, the Issuer may, but is not obliged and owes no duty to any person to, enter into an agreement with the IRS in such form as may be required to avoid the imposition of withholding under FATCA or CRS on payments made to the Issuer. In connection therewith, the Issuer may make such amendments to the Note and the Swap as are necessary to enable the Issuer to enter into, or comply with the terms of, any such agreement. Any such amendment will be binding on the Noteholder, the holder of Receipts and the Couponholder.

## **9 AGENTS**

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The Issuing and Paying Agent and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. Subject as provided in the Agency Agreement, the Issuing and Paying Agent and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with the Noteholder or holder of Receipts or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Calculation Agent(s), provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) a Paying Agent having its specified office in a major European city and (iv) such other agents as may be required by any other stock exchange on which the Note may be listed, in each case, as approved by the Trustee. Notice of any such change or any change of any specified office shall promptly be given to the Noteholder.

## **10 ENFORCEMENT**

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Only the Trustee may pursue the remedies available under the Trust Deed to enforce the rights of the Noteholder, the Couponholder, the holder of Receipts, the Agents or the Secured Parties and none of the Noteholder, the Couponholder, the holder of Receipts, Agents or the Secured Parties is entitled to proceed against the Issuer unless the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, fails to do so within a reasonable time and such failure is continuing.

## **11 LIMITED RECOURSE AND NON-PETITION**

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The Trustee, the Noteholder, the holder of Receipts, the Couponholder, the Account Bank, the Swap Counterparty, the Issuing and Paying Agent and the Creditors shall have recourse only to the Secured Property. If the Enforcement Proceeds or the Net Proceeds, as the case may be, are not sufficient to make all payments that, but for the effect of this provision, would then be due in respect of the Issuer Obligations, then the obligations of the Issuer in respect of such Issuer Obligations will be limited to the Secured Property, and the Issuer shall have no further obligation in respect of such Issuer Obligations, in each case, as applied in accordance with the order of priority set out herein, and the other assets of the Issuer will not be available for payment of any Shortfall arising therefrom. Any such Shortfall shall be borne by the Creditors, the Placement Agent, the Account Bank, the Swap Counterparty, the Issuing and Paying Agent and the other Agents according to the priorities specified in the Trust Deed.

The Issuer will not be obliged to make any further payment in excess of the Enforcement Proceeds or the Net Proceeds, as the case may be, and accordingly no debt shall be owed by the Issuer or any of its officers in respect of any Shortfall remaining after realisation of the Security Interests under Condition 4(c) above and application of the proceeds in accordance with the Trust Deed. None of the Trustee, the Noteholder, any Creditor, the Placement Agent, the Account Bank, the Swap Counterparty, the Issuing and Paying Agent or any other Agent (or any person acting on behalf of any of them or any other party to the Issue Deed) shall be entitled to institute, or join with any other person in bringing, instituting or joining, insolvency or examinership proceedings (whether court based or otherwise) in relation to the Issuer to recover such Shortfall. Failure to make any payment in respect of any Shortfall shall in no circumstances constitute an Event of Default under Condition 7(d) above. This Condition 11 shall survive redemption of the Note.

For the avoidance of doubt, this Condition 11 does not apply to any claim made by other creditors under the YWS Agreements against the Issuer.

## **12 WRITTEN RESOLUTIONS, MODIFICATION, WAIVER AND SUBSTITUTION**

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### **12(a) Written Resolutions**

The Trust Deed contains provisions for consideration of any matter affecting the Noteholder's interests, including the sanctioning by a Written Resolution of a modification of any of these Conditions or any provisions of the Trust Deed.

### **12(b) Modification of the Trust Deed**

The Trustee may agree, without the consent of the Noteholder, the holder of Receipts or the Couponholder, to any modification to the Conditions, the Trust Deed or any Secured Agreement which is, in its opinion, of a formal, minor or technical nature or to correct a manifest error. The Trustee may also agree to any

modification to the Conditions, the Trust Deed, the Issue Deed or any Secured Agreement that is, in its opinion, not materially prejudicial to the interests of the Noteholder, but such power does not extend to any such modification (i) to amend the dates of maturity or redemption of the Note, any Instalment Amount Payment Date or any date for payment of interest or Interest Amounts on the Note, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of the Note, (iii) to reduce the rate or rates of interest in respect of the Note or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Note, (iv) to reduce any Instalment Amount, (v) to vary any method of, or basis for, calculating each Instalment Amount or the Early Redemption Amount, (vi) to vary the currency or currencies of payment or denomination of the Note, (vii) to modify this exception, (viii) to modify the Security Interests described in Condition 4 above, (ix) to sanction the exchange or substitution for the Note of, or the conversion of the Note into, shares, bonds or other obligations or securities of the Issuer or any other entity or (x) to approve the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under the Trust Deed. The Trustee may also agree to any waiver or authorisation of any breach or proposed breach of the Issue Deed, any of these Conditions or any of the provisions of the Trust Deed, the Issue Deed or any Secured Agreement that is, in its opinion, not materially prejudicial to the interests of the Noteholder.

Any such modification, authorisation or waiver shall be binding on the Noteholder, the holder of Receipts and the Couponholder and such modification shall be notified to the Noteholder as soon as practicable.

#### **12(c) Substitution**

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require and the assumption by such other company of all rights, obligations and liabilities under the Swap, and only with the consent of the Noteholder, the holder of Receipts (if any) or the Couponholder (if any), to the substitution of any other company in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Note. In the case of such a substitution, the Trustee may agree, without the consent of the Noteholder, the holder of Receipts or the Couponholder, to a change of the law governing the Note, the Receipts, the Coupons and/or the Trust Deed provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholder.

#### **12(d) Entitlement of the Trustee**

In connection with the exercise of its functions (including, but not limited to, those referred to in this Condition 12), the Trustee shall have regard to the interests of the Noteholder, and the Trustee shall not be entitled to require, nor shall the Noteholder, the holder of Receipts or the Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon the Noteholder, the holder of Receipts or the Couponholder.

### **13 REPLACEMENT OF THE NOTE, RECEIPTS AND COUPONS**

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If the Note, Receipt or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent) or such other Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to the Noteholder, in each case, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (that may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Receipt

or Coupon is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of the Note, Receipts or Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Receipts or Coupons must be surrendered before replacements will be issued.

## **14 NOTICES**

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Notices to the holder of the Note shall be valid if published in a daily newspaper of general circulation in London (that is expected to be the *Financial Times*) and, so long as the Note is listed and admitted to trading on the Irish Stock Exchange and the rules of that exchange so require, shall be sent to the Irish Stock Exchange. If, in the opinion of the Trustee, any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. 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 is made, as provided above.

While the Note is listed and admitted to trading on the Irish Stock Exchange, copies of all notices given in accordance with this Condition 14 shall be forwarded to the Companies Announcement Office of the Irish Stock Exchange.

The Couponholder and the holder of Receipts shall be deemed for all purposes to have notice of the contents of any notice given to the holder of the Note in accordance with this Condition 14.

## **15 INDEMNIFICATION AND OBLIGATIONS OF THE TRUSTEE**

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The Trust Deed contains provisions for the indemnification of the Trustee, for its relief from responsibility including for the value, validity, sufficiency and enforceability (that the Trustee has not investigated) of the Security Interests created over the Secured Property. The Trustee is not obliged or required to take any action under the Trust Deed that may involve it incurring any personal liability or expense unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee and any affiliate are entitled to enter into business transactions with the Issuer, any Obligor, the Placement Agent or any of their respective subsidiaries, holding or associated companies without accounting to the Noteholder for any profit resulting therefrom.

The Trust Deed provides that, in acting as Trustee under the Trust Deed, the Trustee shall not assume any duty or responsibility to the Swap Counterparty, the Issuing and Paying Agent or any other Agent (other than to pay to any of such parties any moneys received and repayable to it and to act in accordance with the provisions of Condition 5 above) and shall have regard solely to the interests of the Noteholder.

## **16 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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No person shall have any right to enforce any term or condition of the Note under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Note expressly provides for such Act to apply to any of its terms.

## **17 GOVERNING LAW AND JURISDICTION**

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### **17(a) Governing Law**

The Trust Deed, the Issue Deed, the Note, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by English law.



#### **17(b) Jurisdiction**

The courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Note or any Receipts or Coupons, and accordingly any legal action or proceedings arising out of or in connection with the Note or any Receipts or Coupons (“**Proceedings**”) may be brought in such courts. The Issuer has in the Issue Deed irrevocably submitted to the jurisdiction of such courts.

#### **17(c) Service of Process**

The Issuer has irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

# SUMMARY OF PROVISIONS RELATING TO THE NOTE WHILE IN GLOBAL FORM

## ***INITIAL ISSUE OF THE NOTE***

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Each Global Note in bearer form without coupons will be deposited on behalf of the subscriber of the Note with a common depositary (the “**Common Depositary**”) for Euroclear and Clearstream, Luxembourg. No interest will be payable in respect of a temporary Global Note except as provided below. Upon the initial deposit of the Global Note with a Common Depositary, Euroclear or Clearstream, Luxembourg will credit the subscriber with a nominal amount of the Note equal to the nominal amount thereof for which it has subscribed and paid. The records of such clearing system shall be conclusive evidence of the nominal amount of the Note represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Any payment due in respect of a Global Note will be made to Euroclear or Clearstream, Luxembourg in respect of the portion of the Global Note held for its account. An accountholder with Euroclear, or any other clearing system with an interest in a temporary Global Note will be required, in order to have credited to its account any portion of any payment, to present a certificate in the form set out in the Master Agency Terms substantially to the effect that the beneficial owner of the relevant interest in the Global Note is not within the United States or a U.S. Person as such terms are defined by the U.S. Internal Revenue Code and the regulations thereunder.

## ***RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS***

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Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (“**Alternative Clearing System**”) as the holder of a Note represented by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Note for so long as the Note is represented by such Global Note and such obligations of such Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.

## ***EXCHANGE***

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### **Temporary Global Note**

The temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date, in whole upon certification as to non-U.S. beneficial ownership in the form set out in the Master Agency Terms and Master Account Bank Terms for interests in a permanent Global Note.

### **Permanent Global Note**

The permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not in part for a Definitive Note if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is

closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for a Definitive Note, such Definitive Note shall be issued in the Specified Denomination only.

### **Delivery of the Note**

On or after any due date for exchange, the holder of the Global Note may surrender such Global Note. In exchange for the Global Note, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate Nominal Amount equal to that of the whole of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange, or (ii) in the case of a Global Note exchangeable for a Definitive Note, deliver, or procure the delivery of, an equal aggregate Nominal Amount of duly executed and authenticated Definitive Note. In this Prospectus, “**Definitive Note**” means, in relation to the Global Note, the definitive Note for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note). Any Definitive Note will be security printed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Note.

### **Exchange Date**

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 calendar days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 calendar days, or, in the case of failure to pay principal in respect of the Note when due 30 calendar days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

## ***AMENDMENT TO CONDITIONS***

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The temporary Global Note and permanent Global Note contain provisions that apply to the Note that they represent, some of which modify the effect of the Conditions set out in this Prospectus. The following is a summary of those provisions:

### **Payments**

No payment falling due after the Exchange Date will be made on the Global Note unless exchange for an interest in a permanent Global Note or for a Definitive Note is improperly withheld or refused. Payments on the temporary Global Note before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the temporary Global Note. All payments in respect of the Note represented by the Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Note, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholder for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Note. The third exception to Condition 7(c)(i) (*Tax Event*) as set out in Condition 7(c)(i)(B) (if the requirement to withhold or account for tax set out in Condition 7(c)(i) (*Tax Event*) arises as a result of the

presentation for payment of any bearer Note, Receipt or Coupon by or on behalf of a holder who would have been able to avoid such withholding or deducting by presenting the Note, Receipt or Coupon to another Paying Agent in a member state of the European Union, then Condition 7(c)(i) (*Tax Event*) shall not apply) and Condition 8(b) (*Payments subject to Fiscal Laws*) will apply to the Definitive Note only. For the purpose of any payments made in respect of a Global Note, the words “in the relevant place of presentation” shall not apply in the definition of “business day” in Condition 8(d) (*Non-Business Days*).

### **Prescription**

Claims against the Issuer in respect of the Note that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the Conditions).

### **Cancellation**

Cancellation of the Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the permanent Global Note.

### **Purchase**

The Note represented by a permanent Global Note may only be purchased by the Issuer if it is purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

### **Trustee's Powers**

In considering the interests of the Noteholder while the Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holder of the Note represented by such Global Note.

### **Notices**

So long as the Note is represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holder of the Note may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

## TRANSFER RESTRICTIONS

The applicable restrictions on offers, sales, transfers and deliveries in respect of the Note are set forth in the section of this Prospectus entitled “*Summary of Provisions Relating to the Note while in Global Form*” under the heading “*Exchange*” and the section of this Prospectus entitled “*Subscription and Sale*” under the heading “*Selling Restrictions*”.

## USE OF PROCEEDS

The net proceeds from the issue of the Note will be used by the Issuer to fund the novation of one or more inflation-linked swaps with the Swap Counterparty, from the Structuring Bank to the Issuer. The Issuer shall pay an amount equal to the net issue proceeds to the Structuring Bank in consideration for the transfer of the Structuring Bank's rights and obligations under the inflation-linked swaps to the Issuer.

## DESCRIPTION OF THE ISSUER

### General

The Issuer is a private company with limited liability which was incorporated under the laws of Ireland on 22 July 2008 under the Companies Acts 1963 – 2006 of Ireland (since repealed and replaced by the Companies Act 2014) under the name Xelo VII Limited with registered number 460250. The Issuer subsequently changed its name to Aysgarth Finance Limited on 21 October 2014. The Issuer re-registered as a designated activity company on 17 June 2015. The Issuer's registered office is at 32 Molesworth Street, Dublin 2, Ireland; telephone: +353 1 697 3200 and facsimile: +353 1 697 3300.

The authorised share capital of the Issuer is €100,000 divided into 100,000 ordinary shares of €1.00 each (the “Shares”). The Issuer has issued one Share which is fully paid up and held by MaplesFS Trustees Ireland Limited (the “Share Trustee”). The annual financial statements of the Issuer for the financial years ended 31 December 2015 and 31 December 2016 incorrectly referred on page 4 of the respective documents to the authorised share capital being 1 ordinary share of 1 Euro each. Interests in the issued Share are held by the Share Trustee on trust for charitable purposes. The Issuer is not a subsidiary of, and its management and general operations are not controlled by, Barclays Bank PLC.

### Business

The Issuer previously issued Series 2008 (U.S. Portfolio Trade) USD 200,000,000 Callable Secured Limited Recourse Notes due 2023 (ISIN: XS0382734779) (the “2008 Notes”). On 8 May 2014, the Issuer was substituted as the issuer of the 2008 Notes by Xelo VI Limited (the “Substitution”). In connection with the Substitution, the Issuer was released and discharged from all of its obligations under the 2008 Notes.

Other than the issue of the 2008 Notes and the Substitution and matters which are incidental or ancillary thereto, since its incorporation, the Issuer has not engaged in any activities other than those incidental to its incorporation, the authorisation and issue of the Note (and any Other Series), the matters referred to or contemplated in this Prospectus (and the prospectuses relating to any Other Series) and the authorisation, execution, delivery and performance of the other documents to which it is or will be a party in connection with the Note and those Other Series and matters which are incidental or ancillary to the foregoing. The principal objects of the Issuer are set forth in Clause 2 of its Memorandum of Association and include, *inter alia*, “to borrow, raise or secure the payment of money or to carry out any other means of financing in such manner as the Issuer shall think fit whether or not by the issue of debentures or debenture stock, bonds, obligations or other securities of any kind, perpetual or otherwise and either redeemable or otherwise, and to secure the repayment of any money borrowed, raised or owing by mortgage, charge or lien upon all or any of the Issuer's property, both present and future, including its uncalled capital, and also by a similar mortgage, charge or lien to secure and guarantee the performance by the company of any obligation or liability it may undertake and to purchase, redeem or pay off any such securities and to enter into or issue interest and currency hedging and swap agreements, forward rate agreements, interest and currency futures or options and other forms of financial instruments and to purchase, redeem or pay off any of the foregoing”.

The Note is the obligation of the Issuer alone and not of the Share Trustee or the Trustee. Furthermore, it is not an obligation of, or guaranteed in any way by, the Structuring Bank or any other party.

As at the date of this Prospectus, other than the Note and the Other Series issued on or prior to the same date, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital

issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities. There has been no change in the share capital of the Issuer since 22 July 2008, the date of its incorporation.

### **Directors**

The Directors of the Issuer are as follows:

<b>Name</b>	<b>Principal Occupation</b>
Padraic Doherty	Senior Vice President, Maples Fiduciary Services (Ireland) Limited
Sean O'Sullivan	Senior Vice President, Maples Fiduciary Services (Ireland) Limited

The business address of the Directors is the same as the registered office of the Issuer at 2nd Floor, Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland.

Maples Fiduciary Services (Ireland) Limited of 32 Molesworth Street, Dublin 2, Ireland is the corporate administrator of the Issuer. Its duties include the provision of certain management, administrative, accounting and related services. The appointment of the administrator may be terminated upon 14 calendar days' notice at any time within 12 months of the happening of certain events and upon three months' notice subject to the appointment of an alternative administrator on similar terms to the existing administrator.

### **Financial Statements**

The annual report and financial statements of the Issuer for the periods ending 31 December 2015 and 31 December 2016 have also been filed with the Irish Stock Exchange and the Central Bank of Ireland and shall be deemed to be incorporated by reference in, and form part of, this Prospectus.

The auditors of the Issuer are Deloitte & Touche, of Earlsfort Terrace, Dublin 2, a firm of chartered accountants, are members of the Institute of Chartered Accountants in Ireland and are qualified to act as auditors in Ireland.



## CALCULATION AGENT

The Issuer has appointed Citibank N.A., London Branch to act as initial Calculation Agent.

Subject to compliance with Condition 9 (*Agents*), the Issuer may, at any time, terminate the appointment of the Calculation Agent by giving to the Issuing and Paying Agent and the Calculation Agent at least 60 calendar days' notice to that effect, which notice shall expire at least 30 calendar days before or after any due date for payment in respect of the Note. The Calculation Agent may resign its appointment at any time by giving the Issuer and the Issuing and Paying Agent at least 60 calendar days' notice to that effect, which notice shall expire at least 30 calendar days before or after any due date for payment in respect of the Note. No such resignation or termination of the appointment of the Calculation Agent shall take effect until a new Calculation Agent has been appointed. If the Issuer fails within 30 calendar days of notice of resignation by the Calculation Agent to appoint a successor to such Agent, the Calculation Agent shall be entitled to select a leading international bank of recognised standing and repute acceptable to the Trustee to act as successor Calculation Agent (as applicable) and the Issuer shall appoint that bank as the successor Calculation Agent. Upon any letter of appointment being executed by or on behalf of the Issuer and any person appointed as a Calculation Agent such person shall become a party to the Agency Agreement as if originally named in it and shall act as such Calculation Agent in respect of the Note. In addition, the Issuer shall, upon direction by a Written Resolution, appoint a replacement calculation agent in accordance with such direction if the Calculation Agent is unable or unwilling to act or if the Calculation Agent fails duly to comply with certain requirements in respect of the Note.

## SWAP

The Swap comprises a 1992 ISDA Master Agreement (and the schedule thereto) (the “**ISDA Master Agreement**”), a Credit Support Annex (Bilateral Form – Transfer) and the inflation-linked swap as evidenced by the relevant confirmation (the “**Confirmation**”) set out below.

The rights and obligations of the Issuer under the Swap are subject to the provisions of the STID, the CTA and the MDA (see the section of this Prospectus entitled “*The YWS Agreements*”).

### General

In connection with the issue of the Note, the Issuer will enter into the Swap. The Swap is governed by English law.

Except as provided in the Trust Deed, the terms of the Swap may not be amended by the Issuer without the consent of the Trustee and, in respect of a material change only, the Noteholder. The Trustee can agree, without the consent of the Noteholder, to any modification which is, in its opinion, of a formal, minor or technical nature or to correct a manifest error.

Set out below are summaries of certain provisions of ISDA Master Agreement. The form of Confirmation is set out in full below.

### Events of Default

The Swap provides for certain “Events of Default” (as defined in the Swap) relating to the Issuer and the Swap Counterparty, the occurrence of which may lead to a termination of the Swap.

The Events of Default which relate to the Issuer are limited to:

- (i) failure by the Issuer to make, when due, any payment or delivery under the Swap required to be made by it, if not remedied within the time period specified therein;
- (ii) certain breaches by the Issuer of its obligations under the Swap which are not, following notice of such failure, remedied within the time period specified therein;
- (iii) certain representations made by the Issuer in the Swap proving to be incorrect or misleading in any material respect when made or repeated;
- (iv) certain bankruptcy events relating to the Issuer; and
- (v) the Issuer consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to, or reorganising, reincorporating or reconstituting into or as, another entity in circumstances where the resultant, surviving or transferee entity fails to assume all the obligations of the Issuer under the Swap.

The Events of Default which relate to the Swap Counterparty are limited to:

- (i) failure by the Swap Counterparty to pay on the due date any amount payable by it under the Swap (unless payment is made within 5 Local Business Days (as defined in the Swap) of the due date) as specified in paragraph 1 (*Non-payment*) of Part 2 of Schedule 6 to the CTA;

- (ii) certain bankruptcy events relating to the Swap Counterparty as specified in paragraph 5 (*Insolvency*) and paragraph 6 (*Insolvency Proceedings*) of Part 2 of Schedule 6 to the CTA;
- (iii) the ending of a Standstill Period (as defined in the MDA) otherwise than in accordance with Clause 13.4.1(c) of the STID; and
- (iv) the occurrence of the Discharge Date (as defined in the MDA).

The events of default with respect to the YWS Agreements are described in Chapter 7 (*Overview of the Financing Agreements*) of the YWS Base Prospectus.

Upon the occurrence of an Event of Default under the Swap, the non-defaulting party may deliver a notice of termination and designate an Early Termination Date in respect of all outstanding swap transactions under the Swap.

### Termination Events

The Swap provides for certain “**Termination Events**” (as defined in the Swap) the occurrence of any of which may lead to termination of all outstanding swap transactions under the Swap. These include:

- (i) the occurrence of certain illegality and force majeure events;
- (ii) if sums paid or received under the relevant swap transactions are subject to a withholding or a deduction on account of tax and such withholding or deduction arises as a result of a change in tax law; and
- (iii) the delivery by the Issuer (or the Representative on its behalf) of a Refusal Notice in respect of a STID Proposal within the Refusal Notice Period but such STID Proposal is subsequently approved by the Majority Creditors and all Affected Secured Creditors who are not party to an Alternative to Criteria Hedging Agreement (each as defined in the CTA), unless such STID Proposal is a Discriminatory STID Proposal, as described in more detail in the section of this Prospectus entitled “*The YWS Agreements*”.

The occurrence of any of the events described in paragraphs (i) and (ii) above will entitle the Issuer and/or the Swap Counterparty, as provided in the Swap (depending, amongst other things, on who is the “Affected Party” (as such term is defined in the Swap), to terminate the Swap at the Early Termination Amount as described in “*Early Termination Amount*” below. The occurrence of the event described in paragraph (iii) above will entitle the Swap Counterparty to terminate the Swap at the STID Refusal Termination Amount as described in “*Early Termination Amount*” below.

In addition to the above, the Swap Counterparty will have the right to terminate the Swap at any time at an amount (the “**Optional Termination Amount**”) determined by a third party calculation agent (as described below) by calculating the future payments under the Swap, with inflation-linked amounts calculated by reference to the mid-market zero coupon inflation swap market, and then discounting such payment amounts using an OIS (as defined below) flat mid-market discount curve.

### Early Termination Amount

In connection with any “**Early Termination Date**” (as defined in the Swap), either the Swap Counterparty or the Issuer will be required to determine the Early Termination Amount under the Swap payable from Swap Counterparty to the Issuer. Which of the Swap Counterparty or the Issuer determines the Early

Termination Amount will depend on the reason for the termination of the Swap. Where the termination is as a result of an Event of Default, it will be the non-defaulting party who makes the determination. Where the termination is as a result of a Termination Event, the Swap will specify for each event which of the parties will make such determination (or, in certain circumstances, that both parties will make such determination). In the case of an optional early termination, the Optional Termination Amount under the Swap will be calculated as described under the heading “*Termination Events*” above.

The Early Termination Amount (referred to in the Swap as the “Settlement Amount”) is calculated by reference to (i) Market Quotations (as defined in the Swap) for the terminated swap transactions or (ii) if Market Quotations cannot be determined, Loss (as defined in the Swap) being such losses and costs that would be incurred by the party making the calculation in replacing (or providing the economic equivalent of) the rights and obligations that have been terminated, or the gain that would be made in so doing.

If the Issuer (or the Representative on its behalf) has provided a Refusal Notice in respect of the STID Proposal and other conditions have been met as described in more detail in “*Termination Events*” above, the Swap Counterparty shall have the right to terminate the Swap at the STID Refusal Termination Amount. The “**STID Refusal Termination Amount**” is an amount determined by a third party calculation agent (as described below) by calculating the future payments under the Swap, with inflation linked amounts calculated by reference to the mid-market zero coupon inflation swap market, and then discounting such payment amounts using an overnight indexed swap (“**OIS**”) flat mid-market discount curve plus a spread (the “**Credit Spread**”) determined by the Swap Counterparty as the arithmetic mean of two offered Z-spread (being the spread over the stripped GBP 6M LIBOR zero coupon swap curve using semi-annual compounding) quotations provided by two leading dealers in the GBP denominated corporate debt capital markets to be selected by the Swap Counterparty in respect of the Class A fixed rate nominal bond unconditionally and irrevocably guaranteed by the Swap Counterparty which has a remaining time to maturity closest to the final scheduled maturity of all Affected Transactions (as defined in the Swap) and a minimum outstanding notional amount of £250,000,000 (the “**YW Bond**”) plus 0.5 per cent. per annum. If fewer than two quotations are provided as requested or no specified bonds remain outstanding at such time, the Credit Spread will be determined by the Swap Counterparty (or a third party acting on its behalf) in good faith and in a commercially reasonable manner.

For the purposes of determining the STID Refusal Termination Amount and the Optional Termination Amount, the Swap Counterparty and the Issuer acting in good faith will use commercially reasonable efforts to jointly appoint a third party calculation agent that is an independent leading market dealer to undertake calculations, determinations and/or valuations which will, in the absence of manifest error, be binding on the Issuer and the Swap Counterparty. In the event that within 5 Business Days the parties are unable to agree upon such appointment then the Swap Counterparty shall make such appointment.

## **Transfers**

Subject to the circumstances outlined below, the Issuer may not transfer (whether by way of security or otherwise) any right, interest or obligation in or under the Swap without the prior written consent of the Swap Counterparty.

If (i) the Issuer (or the Representative on its behalf) delivers a Refusal Notice in respect of a STID Proposal to the YW Security Trustee and the Swap Counterparty within the Refusal Notice Period (unless such Refusal Notice has been revoked), (ii) the Majority Creditors and all Affected Secured Creditors who are not a party to an Alternative to Criteria Hedging Agreement (each as defined in the CTA) have consented to such STID Proposal and (iii) such STID Proposal is not a Discriminatory STID Proposal (as defined in the

Conditions and described in the section of this Prospectus entitled “*The YWS Agreements*”), then upon demand from the Swap Counterparty, the Issuer shall transfer all its rights and obligations in respect of all transactions outstanding under the Swap to a party nominated by the Swap Counterparty (the “**Transferee**”), provided that (x) the Swap Counterparty shall first be entitled to conduct reasonable Know-Your-Client checks on the Transferee and (y) the Issuer has received consideration of not less than the amount equal to the STID Refusal Termination Amount in respect of such transfer to the Transferee.

In relation to an early redemption of the Note, the Issuer may transfer or novate all outstanding transactions under the Swap to any other entity which meets certain requirements as specified in the Swap subject to giving prior written notification to the Swap Counterparty.

#### **Termination Currency**

The termination currency in respect of the Swap will be GBP.

#### **Swap is linked to the Inflation Index**

The payments under the Swap are determined by reference to formulae which reference the Inflation Index.

The Inflation Index is calculated and published by the UK Office for National Statistics. Information (including information as to the past and future performance and volatility) about the Inflation Index may be obtained from Bloomberg under the code UK RPI All Items NSA.

# FORM OF CONFIRMATION

19 December 2017

Yorkshire Water Services Limited  
Western House  
Halifax Road  
Bradford  
West Yorkshire  
BD6 2SZ

Note Reference: Series 15.

Re: INFLATION SWAP TRANSACTION

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Dear Sirs,

The purpose of this document is to set forth the terms and conditions of the Transaction entered into between Aysgarth Finance Designated Activity Company and yourselves on the Trade Date specified below (the “**Transaction**”). This document constitutes a “Confirmation” as referred to in the Agreement specified below and for the avoidance of doubt relates to the Series 15 GBP 51,274,864 Secured Inflation Linked Note due 2048 issued by Party A (the “**Note**”).

The definitions and provisions contained in the 2006 ISDA Definitions (the “**Swap Definitions**”) and in the 2008 ISDA Inflation Derivatives Definitions (the “**Inflation Definitions**”), and together with the Swap Definitions, the “**Definitions**”), in each case as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. Section 2.2(e) of the Inflation Definitions shall be amended by replacing the words “2002 ISDA Master Agreement” with “1992 ISDA Master Agreement”. In the event of any inconsistency between the Swap Definitions and the Inflation Definitions, the Inflation Definitions will govern. In the event of any inconsistency between either set of Definitions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement dated as of 19 December 2017 (the “**Agreement**”), between Aysgarth Finance Designated Activity Company (“**Party A**”) and Yorkshire Water Services Limited (“**Party B**”) relating to the Note. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

Trade Date:	19 December 2017.
Effective Date:	21 August 2017, subject to adjustment in accordance with the Modified Following Business Day Convention.
Termination Date:	21 February 2048, subject to adjustment in accordance with the Modified Following Business Day Convention.
Notional Amount:	GBP 32,217,032.85.

### **Floating Amounts A**

Floating Rate Payer A:	Party B
Floating Rate Payer A Payment Dates:	The 21 August and 21 February in each year, in the period from but excluding the Effective Date to and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention, with No Adjustment to Period End Dates.
Floating Rate A:	As determined by the following formula and rounded to 5 decimal places: $\text{Coupon A} \times (\text{Index A Final} / \text{Index A Initial})$ .
Index A:	GBP - Non-revised Retail Price Index (UKRPI).
Index A Initial:	The Index level for the Reference Month of November 2007, being 209.7.
Index A Final:	The Index level for the Reference Month that is three months preceding the respective Floating Rate Payer A Payment Date.
Coupon A:	In respect of each Floating Rate Payer A Payment Date: (i) to and including 21 February 2031, 0% per annum. (ii) from and excluding 21 February 2031, to and including the Termination Date, 1.6119% per annum.
Floating Rate A Day Count Fraction:	30/360.

### **Floating Amounts B**

Floating Amount Payer B:	Party B
Floating Amount B Payment Dates:	21 August 2026, 21 August 2031, 21 August 2036, 21 August 2041, 21 August 2046 and the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention, with No Adjustment to Period End Dates.
Floating Amount B:	As determined by the following formulae and rounded to 5 decimal places: <ul style="list-style-type: none"><li>For the payment falling on 21 August 2026: <math>\text{High Water Mark (May 26)} / \text{Index B Initial} \times \text{Notional Amount}</math>.</li><li>For the payment falling on 21 August 2031: <math>\text{High Water Mark (May 31)} / \text{Index B Initial} \times \text{Notional Amount}</math>.</li><li>For the payment falling on 21 August 2036: <math>\text{High Water Mark (May 36)} / \text{Index B Initial} \times \text{Notional Amount}</math>.</li><li>For the payment falling on 21 August 2041: High</li></ul>

Water Mark (May 41) / Index B Initial x Notional Amount.

- For the payment falling on 21 August 2046: High Water Mark (May 46) / Index B Initial x Notional Amount.
- For the payment falling on the Termination Date: High Water Mark (Nov 47) / Index B Initial x Notional Amount.

Where:

**High Water Mark (May 21)** means the Index B level for the Reference Month of May 2021.

**High Water Mark (May 26)** means the greater of (a) the UKRPI level for the reference month of May of 2026 and (b) High Water Mark (May 21).

**High Water Mark (May 31)** means the greater of (a) the UKRPI level for the reference month of May of 2031 and (b) High Water Mark (May 26).

**High Water Mark (May 36)** means the greater of (a) the UKRPI level for the reference month of May of 2036 and (b) High Water Mark (May 31).

**High Water Mark (May 41)** means the greater of (a) the UKRPI level for the reference month of May of 2041 and (b) High Water Mark (May 36).

**High Water Mark (May 46)** means the greater of (a) the UKRPI level for the reference month of May of 2046 and (b) High Water Mark (May 41).

**High Water Mark (Nov 47)** means the greater of (a) the UKRPI level for the reference month of November 2047 and (b) High Water Mark (May 46).

Index B:

GBP – Non-revised Retail Price Index (UKRPI).

Index B Initial:

The Index level for the Reference Month of November 2007, being 209.7.

Business Days:

London

### Floating Amounts C

Floating Amount Payer C:

Party A

Floating Amount C Payment Dates:

21 August 2026, 21 August 2031, 21 August 2036, 21 August 2041, 21 August 2046 and the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention, with No Adjustment to Period End Dates.



Floating Amount C:

As determined by the following formulae and rounded to 5 decimal places:

- For the payment falling on 21 August 2026: High Water Mark (May 21)/Index C Initial x Notional Amount.
- For the payment falling on 21 August 2031: High Water Mark (May 26)/ Index C Initial x Notional Amount.
- For the payment falling on 21 August 2036: High Water Mark (May 31)/ Index C Initial x Notional Amount.
- For the payment falling on 21 August 2041: High Water Mark (May 36)/ Index C Initial x Notional Amount.
- For the payment falling on 21 August 2046: High Water Mark (May 41) / Index C Initial x Notional Amount.
- For the payment falling on the Termination Date: High Water Mark (May 46)/ Index C Initial x Notional Amount.

Where:

**High Water Mark (May 21)** means the Index C level for the Reference Month of May 2021.

**High Water Mark (May 26)** means the greater of (a) the UKRPI level for the reference month of May of 2026 and (b) High Water Mark (May 21).

**High Water Mark (May 31)** means the greater of (a) the UKRPI level for the reference month of May of 2031 and (b) High Water Mark (May 26).

**High Water Mark (May 36)** means the greater of (a) the UKRPI level for the reference month of May of 2036 and (b) High Water Mark (May 31).

**High Water Mark (May 41)** means the greater of (a) the UKRPI level for the reference month of May of 2041 and (b) High Water Mark (May 36).

**High Water Mark (May 46)** means the greater of (a) the UKRPI level for the reference month of May of 2046 and (b) High Water Mark (May 41).

Index C:

GBP – Non-revised Retail Price Index (UKRPI).

Index C Initial:

The Index level for the Reference Month of November 2007, being 209.7.

Business Days: London

Calculation Agent: As specified in Part 4(e) of the Agreement

Venue Identification: Party A

**Account Details**

Payments to Party A:

Pay to: Citibank London

Swift: CITIGB2L

Account Number: 18748845

Account Name: Aysgarth Finance Designated Activity  
Company Series 15 – GBP

Sort Code 18-50-08

Payments to Party B:

Any payments due to yourselves in relation to this Transaction, where Party A currently holds your relevant Standard Settlement Instructions, these will be applied to this Transaction. If these are not currently held by ourselves, we will advise you, or if these are not relevant to this Transaction, please advise.

## SWAP COUNTERPARTY AND YWSF

### Swap Counterparty

Name: Yorkshire Water Services Limited  
Address: Western House, Western Way, Bradford BD6 2SZ  
Country of Incorporation: England and Wales (registered number 02366682)  
Nature of business: Water and sewerage undertaker

### YWSF

Pursuant to a security agreement dated 24 July 2009, the obligations and liabilities of the Swap Counterparty under the Swap are guaranteed by Yorkshire Water Services Finance Limited (“YWSF”) in favour of the YW Security Trustee (as defined in the Conditions) on behalf of (amongst others) the Issuer.

Name: Yorkshire Water Services Finance Limited  
Address: Western House, Western Way, Bradford BD6 2SZ  
Country of Incorporation: England and Wales (registered number 04636719)  
Nature of business: Activities incidental to the formation of YWSF and the authorisation of the issue of the YWSF Bonds (as defined in the MDA)

YWSF has debt securities listed and admitted to trading on the regulated market of the London Stock Exchange.

Further information about the Swap Counterparty and YWSF may be found in the YWS Base Prospectus.

# THE YWS AGREEMENTS

The Swap is a “Hedging Agreement” and the Swap Counterparty is a “Hedge Counterparty” as defined and described in the YWS Base Prospectus.

As a “Hedge Counterparty” to the Swap Counterparty, the Issuer has acceded as a party to the Security and Trust Intercreditor Deed (the “STID”), the Master Definitions Agreement (“MDA”) and the Common Terms Agreement (the “CTA”). The STID, the MDA and the CTA are described in Chapter 7 (*Overview of the Financing Agreements*) of the YWS Base Prospectus, which apply to the Issuer’s rights and obligations against the Swap Counterparty and each other Secured Creditor (as defined in the YWS Base Prospectus), save as described in “*Modification of Entrenched Rights*” below.

## Modification of Entrenched Rights

The entrenched rights, as described in Chapter 7 (*Overview of the Financing Agreements - Security Trust and Intercreditor Deed – Entrenched Rights and Reserved Matters*) of the YWS Base Prospectus, as they apply to the Swap, have been modified by the Swap and an irrevocable instruction given by the Issuer and the Representative to the YW Security Trustee.

The Issuer and the Representative have given an irrevocable instruction to the YW Security Trustee that they have waived their right to vote on any Entrenched Right or Reserved Matter in respect of every STID Proposal where the Issuer is an Affected Secured Creditor (each as defined in the MDA) unless, in relation to a specific STID Proposal, the Issuer (or the Representative on its behalf) gives a Refusal Notice. The following will constitute a Refusal Notice:

- (i) a certificate delivered by the Issuer (or the Representative on its behalf) to the YW Security Trustee pursuant to clause 9.3.4 (*Notice to Secured Creditors of STID Proposal*) of the STID in which the Issuer (or the Representative on its behalf) confirms that its consent is required to implement a specific STID Proposal and that it has refused to give such consent; and/or
- (ii) an Entrenched Rights or Reserved Matters Notice (as defined in the MDA) delivered by the Issuer (or the Representative on its behalf) pursuant to clause 9.3.6(a) (*Notice to Secured Creditors of STID Proposal*) of the STID,

specified to relate to the Swap. A Refusal Notice will only be effective if the Issuer (or the Representative on its behalf) has delivered such Refusal Notice within the Refusal Notice Period.

For further information on a “STID Proposal” please see Chapter 7 (*Overview of the Financing Agreements*) of the YWS Base Prospectus. In accordance with the Conditions, the Issuer will give a Refusal Notice in respect of a STID Proposal if directed to do so by the Noteholder of this series and/or by the noteholders of one or more Other Series. Accordingly, if the Noteholder wishes the Issuer to give a Refusal Notice, it will need to ensure that it does so in sufficient time.

In addition, if (i) the Issuer (or the Representative on its behalf) delivers a Refusal Notice in respect of a STID Proposal to the YW Security Trustee and the Swap Counterparty within the Refusal Notice Period (unless such Refusal Notice has been revoked), (ii) the Majority Creditors and all Affected Secured Creditors who are not party to an Alternative to Criteria Hedging Agreement (each as defined in the CTA) consent to such STID Proposal and (iii) such STID Proposal is not a Discriminatory STID Proposal (as described below), the Swap Counterparty shall have the right to:

- (i) terminate the Swap at the STID Refusal Termination Amount; or
- (ii) oblige the Issuer to transfer all its rights and obligations in respect of all transactions outstanding under the Swap to a Transferee provided that (x) the Swap Counterparty shall first be entitled to conduct reasonable Know-Your-Client checks on the Transferee and (y) the Issuer has received consideration of not less than the amount equal to the STID Refusal Termination Amount in respect of such transfer to the Transferees.

If the Swap Counterparty exercises such right, the Note will be redeemed pursuant to Condition 7(c)(ii) (*Swap Event*). The STID Refusal Termination Amount (or minimum novation amount) receivable by the Issuer in such circumstances will be determined by calculating the future payments under the Swap and then discounting such payment amounts using an overnight indexed swap flat mid-market discount curve plus the Credit Spread plus 0.5 per cent. per annum. Accordingly, any such STID Refusal Termination Amount (or minimum novation amount), and therefore the Early Redemption Amount, is likely to be significantly less than the amount that would be payable if the Swap was terminated in other circumstances. For further information on the calculation of the STID Refusal Termination Amount, please see the section of this Prospectus entitled “*Swap*”.

#### **Discriminatory STID Proposals**

The Issuer (or the Representative on its behalf) may only notify the Swap Counterparty that a STID Proposal is a “**Discriminatory STID Proposal**” by way of a Discriminatory STID Proposal Notice within the Refusal Notice Period if:

- (i) such STID Proposal has the effect that the rights or standing of the Issuer are materially prejudiced where such material prejudice does not apply to any other Secured Creditor other than a Hedge Counterparty (each as defined in the MDA) which is a party to an Alternative to Criteria Hedging Agreement (as defined in the CTA); and
- (ii) the Issuer (or the Representative on its behalf) provides written reasons in the Discriminatory STID Proposal Notice as to why it considers that such STID Proposal is a Discriminatory STID Proposal.

The Noteholder may direct the Issuer to give the Swap Counterparty a Discriminatory STID Proposal Notice by including the reasons they wish the Issuer to provide in the Written Resolution. If the Swap Counterparty notifies the Issuer in writing that it considers that such STID Proposal is not a Discriminatory STID Proposal within 15 Business Days after valid delivery of the Discriminatory STID Proposal Notice by the Issuer, then the Issuer (or the Noteholder on its behalf) and the Swap Counterparty must discuss in good faith the relative merits of each other’s arguments. If the Issuer and the Swap Counterparty do not reach an agreement within 5 Business Days after the Issuer’s receipt of the notice as to whether the STID Proposal is a Discriminatory STID Proposal, they must, within a further 10 Business Days, jointly instruct an expert agreed upon by the Issuer and the Swap Counterparty or, if no agreement as to such appointment has been reached within such period, then an expert chosen by the President for the time being of the Law Society of England and Wales (the “**Appropriate Expert**”) who will decide whether the STID Proposal is a Discriminatory STID Proposal. The decision of the Appropriate Expert will be binding upon the Issuer and the Swap Counterparty. The costs of the Appropriate Expert will be borne by the party with whom the Appropriate Expert disagrees. If the Noteholder wishes the Issuer to proceed with arguing that a STID Proposal is a Discriminatory STID Proposal, it will need to pre-fund the Issuer in respect of such costs. Until the Swap Counterparty and the Issuer or the Appropriate Expert, as applicable, reach agreement on

whether the STID Proposal is a Discriminatory STID Proposal, it shall be treated as a Discriminatory STID Proposal.

## IRELAND TAXATION

*The following is a summary based on the laws and practices currently in force in Ireland regarding the tax position of an investor beneficially owning the Note and should be treated with appropriate caution. Particular rules may apply to certain classes of taxpayers holding the Note. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Note should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Note and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.*

### WITHHOLDING TAX

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In general, tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest. However, an exemption from withholding on interest payments exists under Section 64 of the Taxes Consolidation Act, 1997 (the “**1997 Act**”) for certain underlying securities (“**quoted Eurobonds**”) issued by a body corporate (such as the Issuer) that are interest bearing and quoted on a recognised stock exchange (which would include the Irish Stock Exchange).

Any interest paid on such quoted Eurobonds can be paid free of withholding tax provided:

- the person by or through whom the payment is made is not in Ireland; or
- the payment is made by or through a person in Ireland, and either:
  - the quoted Eurobond is held in a clearing system recognised by the Irish Revenue Commissioners (Euroclear, Clearstream Banking S.A. and Clearstream Banking AG are so recognised); or
  - the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to the person by or through whom the payment is made in the prescribed form.

So long as the Note is quoted on a recognised stock exchange and are held in Euroclear and/or Clearstream Banking S.A. and/or Clearstream Banking AG, interest on the Note can be paid by the Issuer and any paying agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

If, for any reason, the quoted Eurobond exemption referred to above ceases to apply, the Issuer can still pay interest on the Note free of withholding tax provided it is a qualifying company (within the meaning of Section 110 of the 1997 Act) and provided the interest is paid to a person resident in a “relevant territory” (i.e. a member state of the European Union (other than Ireland) or a country with which Ireland has a double taxation agreement which has the force of law, or a country with which Ireland has signed a double taxation agreement which will on the completion of certain procedures have the force of law). For this purpose, residence is determined by reference to the law of the country in which the recipient claims to be resident. This exemption from withholding tax will not apply, however, if the interest is paid to a company in connection with a trade or business carried on by it through a branch or agency located in Ireland.

In certain circumstances, Irish tax will be required to be withheld at the standard rate from interest on any quoted Eurobond, where such interest is collected by a bank or other Agent in Ireland on behalf of a Noteholder who is an Irish resident.

## **TAXATION OF NOTEHOLDER**

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Notwithstanding that a Noteholder may receive interest on the Note free of withholding tax, the Noteholder may still be liable to pay Irish income tax. Interest paid on the Note may have an Irish source and therefore be within the charge to Irish income tax and levies. Ireland operates a self-assessment system in respect of income tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

However, interest on the Note will be exempt from Irish income tax if:

- (a) the Note is a quoted Eurobond, is exempt from withholding tax as set out above and the recipient of the interest is:
  - (i) a company which is either resident in a relevant territory; or
  - (ii) a company:
    - (x) which is controlled, directly or indirectly, by a person who is resident in a relevant territory who are not, themselves, controlled by Irish residents; or
    - (y) the principal class of shares of the company are substantially and regularly traded on a recognised stock exchange in a relevant territory; or
- (b) the recipient of the interest is resident in a relevant territory and either:
  - (i) the Issuer is a qualifying company; or
  - (ii) if the Issuer has ceased to be a qualifying company, the recipient of the interest is a company and the relevant territory in which the company is resident imposes a tax that generally applies to interest receivable in that territory by companies from sources outside it, or the interest is exempt from income tax under the provisions of a double taxation agreement that was then in force when the interest was paid or would have been exempt had a double taxation agreement that was signed at the date the interest was paid been in force at that date.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Note is held or attributed may have a liability to Irish corporation tax on the interest.

The Noteholder receiving interest on the Note which does not fall within the above exemptions may, in limited circumstances, be liable to Irish income tax.

## **ENCASHMENT TAX**

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Irish tax will be required to be withheld at the standard rate of income tax (currently 20%) from interest on any Note where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.



## ***CAPITAL GAINS TAX***

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A holder of the Note will be subject to Irish tax on capital gains on a disposal of the Note unless such holder is neither resident nor ordinarily resident in Ireland and does not carry on a trade in Ireland through a branch or agency in respect of which the Note is used or held or to which or to whom the Note is attributable.

## ***CAPITAL ACQUISITIONS TAX***

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A gift or inheritance comprising the Note will be within the charge to capital acquisitions tax if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) or (ii) if the Note is regarded as property situated in Ireland. Bearer notes are generally regarded as situated where they are physically located at any particular time, but the Note may be regarded as situated in Ireland regardless of its physical location as it is secured over Irish property, and they themselves secure a debt due by an Irish resident debtor. Accordingly, if the Note is comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence status of the disponer or the donee/successor.

## ***STAMP DUTY***

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On the basis of an exemption provided for in Section 85(2)(c) to the Stamp Duties Consolidation Act, 1999, provided the proceeds of the Note are used in the course of the Issuer's business, no stamp duty or similar tax is imposed in Ireland on the issue, transfer or redemption of the Note whether it is represented by any Global Note or Definitive Note.

## ***FATCA IMPLEMENTATION IN IRELAND***

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The governments of Ireland and the United States have signed an Agreement to Improve International Tax Compliance and to Implement FATCA (the "IGA"). The IGA is of a type commonly known as a "model 1" agreement. In July 2014, Ireland enacted Financial Accounts Reporting (United States of America) Regulations 2014 (the "Irish FATCA Regulations").

The IGA and Irish FATCA Regulations will increase the amount of tax information automatically exchanged between Ireland and the United States. They provide for the automatic reporting and exchange of information in relation to accounts held in Irish "financial institutions" by U.S. persons and the reciprocal exchange of information regarding U.S. financial accounts held by Irish residents.

The Issuer intends to carry on its business in such a way as to ensure that it is treated as complying with FATCA pursuant to the terms of the IGA and the Irish FATCA Regulations. The Issuer expects to be treated as a "financial institution". Unless an exemption applies, the Company shall be required to register with the U.S. Internal Revenue Service as a "reporting financial institution" for FATCA purposes ("**Reporting FI**"). In order for the Issuer to comply with its FATCA obligations it will be required to report certain information to the Irish Revenue Commissioners relating to the Noteholder who, for FATCA purposes, is a specified U.S. person, a non-participating financial institution or a passive non-financial foreign entity (NFFEs) that is controlled by specified U.S. persons. Any information reported by the Issuer to the Irish Revenue

Commissioners will be communicated to the U.S. Internal Revenue Service pursuant to the IGA. It is possible that the Irish Revenue Commissioners may also communicate this information to other tax authorities pursuant to the terms of any applicable double tax treaty, intergovernmental agreement or exchange of information regime.

The Issuer or its agents shall be entitled to require the Noteholder to provide any information regarding its FATCA status, identity or residency required by the Issuer to satisfy its FATCA obligations. The Noteholder will be deemed, by its subscription for or holding of the Note, to have authorised the automatic disclosure of such information by the Issuer or any other authorised person to the relevant tax authorities.

The Issuer should not generally be subject to FATCA withholding tax in respect of its U.S. source income for so long as it complies with its FATCA obligations. However, FATCA withholding tax may arise on U.S. source payments to the Issuer if the Issuer does not comply with its FATCA registration and reporting obligations and the U.S. Internal Revenue Service has specifically identified the Issuer as being a “non-participating financial institution” for FATCA purposes. In addition, the Issuer may be unable to comply with its FATCA obligations if the Noteholder does not provide the required certifications or information. Any such withholding imposed on payments to the Issuer may reduce the amounts available to the Issuer to make payments on the Note. The Noteholder should consult its own tax advisors as to the potential implications of the reporting requirements imposed on the Issuer by FATCA before investing.

The Issuer expects to be treated as a Reporting FI pursuant to the IGA and does not anticipate being obliged to deduct any FATCA withholding tax on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA withholding tax from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Note are made may be required to withhold FATCA withholding tax if (i) any financial institution through or to which payment on such Note is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder. If an amount in respect of FATCA withholding tax were to be deducted or withheld either from amounts due to the Issuer or from interest, principal or other payments made in respect of the Note, neither the Issuer, any paying agent nor any other person would, pursuant to the conditions of the Note, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

## ***COMMON REPORTING STANDARD (CRS) IN IRELAND***

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On 21 July 2014, the Standard for Automatic Exchange of Financial Account Information in Tax Matters was published by the OECD (“CRS”). The CRS provides that certain entities (known as Financial Institutions) shall identify “Accounts” (as defined, broadly equity and debt interest in the Financial Institution) held by persons who are tax resident in other CRS participating jurisdictions. That information is then subject to annual automatic exchange between governments in CRS participating jurisdictions. Directive 2014/107/EU on Administrative Cooperation in the Field of Taxation (“DAC II”) implements CRS in a European context and creates a mandatory obligation for all EU Member States to exchange financial account information in respect of residents in other EU Member States on an annual basis commencing in 2017 in respect of the 2016 calendar year. Ireland has provided for the implementation of CRS through section 891F of the TCA and the enactment of the Returns of Certain Information by Reporting Financial Institutions Regulations 2015 (the “CRS Regulations”). The Irish Revenue Commissioners have indicated

that Irish Financial Institutions will be obliged to make a single return in respect of CRS and DAC II. CRS applies in Ireland from 1 January 2016.

The Issuer is expected to constitute a Financial Institution for CRS purposes. In order to comply with its obligations under CRS and DAC II, the Issuer shall be entitled to require the Noteholder to provide certain information in respect of the Noteholder's and, in certain circumstances, their controlling person's tax status, identity or residence. The Noteholder will be deemed, by their holding of the Note, to have authorised the automatic disclosure of such information by the Issuer (or any nominated service provider) to the Irish Revenue Commissioners. The information will be reported by the Issuer to the Irish Revenue Commissioners who will then exchange the information with the tax or governmental authorities of other participating jurisdictions, as applicable. To the extent that the Note is held within a recognised clearing system, the Issuer should have no reportable accounts in a tax year. The obligation to report under CRS may fall on the clearing system instead.

Provided the Issuer complies with these obligations, it should be deemed compliant for CRS and DAC II purposes. Failure by the Issuer to comply with its CRS and DAC II obligations may result in it being deemed to be non-compliant in respect of its CRS obligations and monetary penalties may be imposed pursuant to the CRS Regulations.

# SUBSCRIPTION AND SALE

## ***DEALER AGREEMENT***

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By entering into the Issue Deed, the Issuer will be deemed to have entered into a dealer agreement with the Structuring Bank on the terms (as amended, modified and/or supplemented in the Issue Deed) of the Master Dealer Terms specified in the Issue Deed (such Issue Deed together with the Master Dealer Terms, the “**Dealer Agreement**”). The Note may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the Structuring Bank.

The Issuer will indemnify the Placement Agent against certain liabilities in connection with the offer and sale of the Note. The Dealer Agreement entitles the Structuring Bank to terminate any agreement that it makes to subscribe the Note in certain circumstances prior to payment for the Note being made to the Issuer.

## ***SELLING RESTRICTIONS***

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### **United States**

The Note has not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and are subject to U.S. tax law requirements. The Note may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons at any time. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Note will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”).

The Note is subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

### **United Kingdom**

The Placement Agent has represented and agreed pursuant to the Dealer Agreement that:

- (1) 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 the Note in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Note in, from or otherwise involving the United Kingdom.

### **Ireland**

The Placement Agent has represented and agreed pursuant to the Dealer Agreement that:

- (1) it has not and will not underwrite the issue of, or place the Note, otherwise than in conformity with the provisions of S.I. No. 60 of 2007, European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended), and any codes of conduct or rules issued in connection therewith and any conditions or requirements, or other enactments, imposed or approved by the Central Bank of Ireland and the provisions of the Investor Compensation Act 1998 (as amended);

- (2) it has not and will not underwrite the issue of, or place, the Note, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 to 2015 (as amended) and any codes of practice made under Section 117(1) of the Irish Central Bank Act 1989 (as amended) or any regulations made pursuant to Part 8 of the Central Bank (Supervision and Enforcement) Act 2013 (as amended);
- (3) it has not and will not underwrite the issue of, or place, or do anything in Ireland in respect of the Note, otherwise than in conformity with the provisions of the European Union (Market Abuse) Regulations 2016, Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and any rules issued under section 1370 of the Companies Act 2014 by the Central Bank of Ireland (including any successor legislation); and
- (4) it has not and will not underwrite the issue of, or place or otherwise act in Ireland in respect of the Note, otherwise than in conformity with the provisions of the European Union (Market Abuse) Regulations 2016, Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and any rules or guidance issued under section 1370 of the Companies Act 2014 by the Central Bank of Ireland (including any successor legislation).

#### **Public Offer Selling Restriction Under the Prospectus Directive**

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Placement Agent has represented and agreed pursuant to the Dealer Agreement that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), it has not made and will not make an offer of the Note that is the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Note to the public in that Relevant Member State:

- (1) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (2) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the placement agent nominated by the Issuer for any such offer; or
- (3) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Note referred to in paragraphs 2 to 3 above shall require the Issuer or any placement agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of the Note to the public**” in relation to the Note in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Note to be offered so as to enable an investor to decide to purchase or subscribe the Note, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

#### **General**

These selling restrictions may be modified by the agreement of the Issuer and the Placement Agent. Any such modification will be set out in a supplement to this Prospectus.

No representation has been made that any action has been taken in any jurisdiction that would permit a public offering of the Note, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required.

The Placement Agent has represented, warranted and agreed pursuant to the Dealer Agreement that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers the Note or has in its possession or distributes this Prospectus or any other offering material and that the Issuer shall not have responsibility therefor.

## ERISA CONSIDERATIONS

None of the Note or any interest therein may be acquired by or on behalf of (i) an employee benefit plan within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), (ii) a plan within the meaning of Section 4975(e)(1) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), (iii) an entity that is deemed to hold the assets of any such plan, which plan or entity is subject to Title I of ERISA or Section 4975 of the Code, or (iv) a governmental or church plan that is subject to any federal, state or local law that is similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code. Each purchaser of the Note or any interest therein will be required or deemed to represent that it is not, and is not acting on behalf of, any such plan or entity. Any purported transfer in violation of the foregoing will be null and void *ab initio* as described in more detail in the section of this Prospectus entitled “Risk Factors” under the heading “Risks Related to the Market” (under the sub-heading “ERISA considerations”).

## GENERAL INFORMATION

- (1) The total estimated expenses related to the admission to trading of the Note are €4,891.20.
- (2) The Issuer has obtained all necessary consents, approvals and authorisations in connection with this issuance and performance of the Note issued by it. The issuance of the Note was authorised by resolutions of the board of directors passed on 15 December 2017.
- (3) There has been no material adverse change in the financial position or prospects of the Issuer, in each case, since 31 December 2016, the date of its last published audited financial statements.
- (4) The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus that may have, or have had in the recent past, significant effects on its financial position or profitability.
- (5) The Note has been accepted for clearing through the Euroclear and Clearstream, Luxembourg systems (these being the entities in charge of keeping the records). The Common Code is 174087075 and the International Securities Identification Number (ISIN) is XS1740870750. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.
- (6) It is expected that the Note will be listed on the Official List and admitted to trading on the regulated market of the Irish Stock Exchange on or about 21 December 2017.
- (7) The Issuer does not intend to provide post-issuance information.
- (8) For so long as the Note remains outstanding, the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection in physical form at the registered office of the Issuer and at the specified office of Citibank N.A., London Branch:
  - (i) the Issue Deed and each document incorporated by reference into such Issue Deed;
  - (ii) the constitution of the Issuer;
  - (iii) a copy of this Prospectus together with any supplemental prospectus or any other document required or permitted to be published by the rules of the Irish Stock Exchange; and
  - (iv) all audited annual financial statements of the Issuer (including the audited annual financial statements of the Issuer for the year ended: (a) 31 December 2015 and (b) 31 December 2016).



**REGISTERED OFFICE OF THE ISSUER**

**Aysgarth Finance Designated Activity Company**  
32 Molesworth Street  
Dublin 2  
Ireland

**STRUCTURING BANK AND PLACEMENT AGENT**

**Barclays Bank PLC**  
5 North Colonnade  
Canary Wharf  
London E14 4BB

**TRUSTEE**

**Citicorp Trustee Company Limited**  
Citigroup Centre  
14th Floor, Canada Square  
Canary Wharf  
London E14 5LB

**ISSUING AND PAYING AGENT, CALCULATION AGENT AND**

**ACCOUNT BANK**

**Citibank N.A., London Branch**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**LISTING AGENT**

**Maples and Calder**  
75 St. Stephen's Green  
Dublin 2  
Ireland

**AUDITOR OF THE ISSUER**

**Deloitte & Touche**  
Chartered Accountants  
Earlsfort Terrace  
Dublin 2  
Ireland

**LEGAL ADVISERS**

*To the Placement Agent in respect of English law*

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ  
United Kingdom

*In respect of Irish law*

**Maples and Calder**  
75 St. Stephen's Green  
Dublin 2  
Ireland

**A35585153**