



*(established in England)*

**£5,000,000,000**

## **Euro Medium Term Note Programme**

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This Base Prospectus has been approved by the United Kingdom Financial Services Authority (the “**FSA**”), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes (the “**Notes**”) by Transport for London (“**TFL**” or the “**Issuer**”) under the Euro Medium Term Note Programme (the “**Programme**”) described in this Base Prospectus during the period of twelve months after the date hereof.

Applications have been made to admit such notes during the period of twelve months after the date hereof to listing on the Official List (the “**Official List**”) of the FSA and to trading on the Regulated Market of the London Stock Exchange plc (the “**London Stock Exchange**”). The Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the “**Markets in Financial Instruments Directive**”). The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. See “*Risk Factors*” below for a discussion of certain risks that should be considered prior to making an investment in the Notes.

The Issuer has been assigned a rating of “AA+” by Standard & Poors Credit Market Services Europe Limited (“**S&P**”), “AA+” by Fitch Ratings Limited (“**Fitch**”) and “Aa1” by Moody’s Investors Service Limited (“**Moody’s**”). Each of S&P, Fitch and Moody’s is established in the European Economic Area (“**EEA**”) and is registered under Regulation EU No 1060/2009, as amended (the “**CRA Regulation**”). Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating(s) will not necessarily be the same as the ratings described above or the rating(s) assigned to Notes already issued. The rating(s) assigned to any particular Tranche of Notes issued under the Programme will be disclosed in the Final Terms.

### **Arrangers**

**HSBC**

**Morgan Stanley**

### **Dealers**

**Barclays**

**BofA Merrill Lynch**

**BNP PARIBAS**

**Deutsche Bank**

**Goldman Sachs International**

**HSBC**

**Lloyds Bank**

**Morgan Stanley**

**RBC Capital Markets**

**The Royal Bank of Scotland**

**UBS Investment Bank**

## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Base Prospectus. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be issued on the terms set out herein under “*Terms and Conditions of the Notes*” as completed by a document specific to such Tranche called final terms (the “**Final Terms**”) which, with respect to Notes to be listed on the Official List and to be admitted to trading on the Regulated Market of the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche.

This Base Prospectus must be read and construed together with any supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, should be read and construed together with the Final Terms.

The Issuer has confirmed to the Dealers named under “*Subscription and Sale*” below that this Base Prospectus (including for this purpose, each relevant Final Terms) contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or the other documents entered into in relation to the Programme or any information supplied by the Issuer and specifically approved in writing and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Trustee (as defined below), the Arrangers or any Dealer.

No representation or warranty is made or implied by the Arrangers, the Dealers, the Trustee or any of their respective affiliates, and none of the Arrangers, the Dealers, the Trustee or any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date hereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at 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 Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose

possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see “*Subscription and Sale*”. In particular, Notes have 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. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Trustee, the Arrangers, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

No assurance can be given that the Notes are suitable investments for any individual or class of investor. Prospective purchasers of any Notes should ensure that they understand the nature of the Notes and the extent of their exposure to the relevant risk. Such prospective purchasers should also ensure that they have sufficient knowledge, experience and access to professional advisers to make their own legal, tax, accounting and financial evaluation of the merits and risks of investment in the Notes and that they consider the suitability of the Notes as an investment in light of their own circumstances and financial condition. In particular, each prospective purchaser should also ensure that they:

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

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed £5,000,000,000 (and for this purpose, any Notes denominated in another currency (if any) shall be translated into pounds sterling at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement, as defined below)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under “*Subscription and Sale*”.

In this Base Prospectus, unless otherwise specified, references to “£”, “GBP”, or “sterling” or “pounds sterling” are to the lawful currency for the time being of the United Kingdom and references to “Member State” unless the context otherwise requires, are to a member state of the European Economic Area (“EEA”).

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

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

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this Base Prospectus, including any descriptions or statements regarding the possible future results of operations, any statement preceded by, followed by or which include the words “believes”, “expects”, “intends”, “will”, “may”, “anticipates” or similar expressions, and other statements that are not historical facts, are or may constitute “forward-looking statements”. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include but are not limited to (a) risks and uncertainties relating to the United Kingdom transport industry, consumer demand, political and economic conditions and government regulation and (b) such other risks and uncertainties as are detailed herein. All written and oral forward-looking statements attributable to the Issuer or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements set forth in this paragraph. Prospective purchasers of the Notes are cautioned not to put undue reliance on such forward-looking statements. TfL will not undertake any obligation to publish any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Base Prospectus.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents (excluding all information incorporated by reference in any such documents either expressly or implicitly and excluding any information or statements included in any such documents either expressly or implicitly that is or might be considered to be forward looking) which have previously been published or are published simultaneously with this Base Prospectus and have been submitted to and filed with the Financial Services Authority, shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (1) the audited Statement of Accounts for the year ended 31 March 2012
- (2) the audited Statement of Accounts for the year ended 31 March 2011
- (3) the "Terms and Conditions of the Notes" section from the Issuer's Information Memorandum dated 25 November 2004;
- (4) the "Terms and Conditions of the Notes" section from the Issuer's Base Prospectus dated 9 March 2006; and
- (5) the "Terms and Conditions of the Notes" section from the Issuer's Base Prospectus dated 11 August 2011,

save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Any information contained in any document referred to above that is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

Copies of documents incorporated by reference have been submitted to the National Storage Mechanism and are available for inspection at <http://www.hemscott.com/nsm.do> and may be inspected, free of charge, at the specified office of the Principal Paying Agent (Citibank, N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the principal office of the Issuer (Windsor House, 42-50 Victoria Street, London, SW1H 0TL).

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## OVERVIEW OF THE PROGRAMME

*This overview must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including any information incorporated by reference.*

*Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this overview unless otherwise defined herein.*

### **Issuer:**

Transport for London (“**TfL**”) is a statutory body, established under section 154 of the Greater London Authority Act 1999 (the “**GLA Act**”). The GLA Act provides for the governance of Greater London by the Greater London Authority (the “**GLA**”). The GLA is a statutory corporation that was established under the GLA Act and its principal purposes are the promotion of economic development, social development, wealth creation and improvement of the environment of Greater London. TfL is one of the four “functional bodies” of the GLA. The principal activity of the Issuer and its subsidiaries is the provision of safe, integrated, efficient and economic transport facilities and services, to, from or within Greater London, including London Underground, Surface Transport (buses, taxis, road network, walking, cycling and river transport) and London Rail.

### **Risk Factors:**

There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Notes issued under the Programme. Such factors include risks associated with TfL’s sources of funding and liability under the Notes, TfL’s borrowing and derivative powers, TfL’s provision of self-insurance, TfL’s contingent liabilities in respect of, and risks associated with, the construction and integration of the Crossrail infrastructure project taken forward by TfL’s subsidiary Crossrail Limited and generally risks associated with major projects and contracts. In addition the TfL group is at risk of disruption caused by a major incident of terrorism, fraud, insolvency, change of law, including the Greater London Authority Act 1999 (as amended in 2007) under which TfL was established, environmental, health and safety laws and regulations, judicial review and general political risk.

There are certain additional factors which are material for the purposes of assessing the market risks associated with the Notes issued under the Programme, these include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of a particular issue of Notes and certain risks

relating to the Notes generally such as secondary market limited liquidity, no active trading market for the Notes.

**Arrangers:**

HSBC Bank plc  
Morgan Stanley & Co. International plc

**Dealers:**

Barclays Bank PLC  
BNP Paribas  
Deutsche Bank AG, London Branch  
Goldman Sachs International  
HSBC Bank plc  
Lloyds TSB Bank plc  
Merrill Lynch International  
Morgan Stanley & Co. International plc  
RBC Europe Limited  
The Royal Bank of Scotland plc  
UBS Limited  
and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.

**Principal Paying Agent:**

Citibank, N.A., London Branch.

**Trustee:**

Citicorp Trustee Company Limited.

**Listing:**

Application has been made for Notes issued under the Programme to be admitted the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange. The Notes may also be listed on other such stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Dealer in relation to each issue. Unlisted Notes may also be issued.

The Final Terms relating to each issue will state whether or not, and if so, on what stock exchange(s), the Notes are to be listed.

**Admission to Trading:**

Each Series may be admitted to trading on the Regulated Market of the London Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Dealer and specified in the Final Terms or may be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system.

**Clearing Systems:**

Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the Final Terms.

**Initial Programme Amount:** Up to £5,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding.

**Issuance in Series:** Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

**Forms of Notes:** Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a “**Classic Global Note**” or “**CGN**”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a “**New Global Note**” or “**NGN**”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

**Currencies:** Notes may be denominated in pounds sterling only, unless the Issuer is at any time permitted to issue Notes in any other currency.

**Status of the Notes:** Notes will constitute direct, general and unconditional obligations of the Issuer, and, in accordance with section 13(3) of the Local Government Act 2003, Notes will be charged indifferently on all the revenues of TfL.

The Notes will at all times rank *pari passu* amongst themselves and at least *pari passu* with all other present

and future unsecured obligations of the Issuer, save for such obligation as may be preferred by provisions of law that are both mandatory and of general application.

**Issue Price:**

Notes may be issued at any price on a fully paid basis. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

**Maturities:**

Any maturity, subject, in relation to specific currencies (if applicable at any time under the Programme), to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Any Notes having a maturity of less than one year must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.

**Redemption:**

Notes will be redeemable at par or in the case of any early or optional redemption (as described below), at such other redemption amount determined by the Issuer and specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.

**Make-whole Redemption:**

Certain Notes denominated in sterling may be redeemed (either in whole or in part) at a “make-whole” premium before their stated maturity at the option of the Issuer (as further described in Condition 9(c) (*Redemption at the option of the Issuer*)).

**Put event:**

Notes may be redeemed before their stated maturity at the option of the Noteholders on the occurrence of a “Put Event” as described in Condition 9(f) (*Redemption on a Put Event*) and to the extent (if at all) specified in the Final Terms.

**Puttable/Callable Notes:**

In addition, if so specified in the applicable Final Terms, Notes may provide for redemption by the Issuer and/or the Noteholders (in certain specified circumstances) on dates and at prices specified in the applicable Final Terms.

<b>Tax Redemption:</b>	Except as described above, early redemption will only be permitted for tax reasons as described in Condition 9(b) ( <i>Redemption for tax reasons</i> ).
<b>Interest:</b>	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate (being either LIBOR, LIBID, LIMEAN or EURIBOR) and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. Notes which do not bear any interest (zero-coupon Notes) may be offered and sold at a discount to their nominal amount.
<b>Denominations:</b>	Notes issued under the Programme which are to be admitted to trading on the Regulated Market of the London Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a Member State and/or offered to the public in any Member State, in each case in circumstances which require the publication of a prospectus under the Prospectus Directive and the implementing measures in the relevant Member State, may not have a minimum denomination of less than EUR100,000 (or its equivalent in another currency). Notes may not be issued under the Programme which carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
<b>Negative Pledge:</b>	The Notes will have the benefit of a negative pledge as described in Condition 5 ( <i>Negative Pledge</i> ).
<b>Cross Default:</b>	The Notes will have the benefit of a cross default as described in Condition 12 ( <i>Events of Default</i> ).
<b>Taxation:</b>	All payments in respect of Notes will be made free and clear of withholding taxes of the United Kingdom unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 11 ( <i>Taxation</i> )) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
<b>Redenomination:</b>	In respect of any Tranche of Notes, if the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Notes may be redenominated in euro in accordance with Condition 22 ( <i>Redenomination, Renominalisation and</i>

*Reconventioning*) if so specified in the Final Terms.

**Governing Law:**

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

**Selling Restrictions:**

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Japan and Italy see “*Subscription and Sale*” below.

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme which may in turn result in investors losing the value of their investment. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

### ***Liability under the Notes***

The Notes will be obligations of TfL only. The Notes will not be obligations of, or the responsibility of, nor will they be guaranteed by, any of the Department for Transport (“**DfT**”), HM Government, the Mayor of London (the “**Mayor**”), the London Assembly (and/or the Greater London Authority (“**GLA**”)), the Trustee, the Arrangers, the Dealers or the Paying Agents. Furthermore, no person other than TfL will accept any liability whatsoever to Noteholders in respect of any failure by TfL to pay any amount due under the Notes.

### ***TfL’s Sources of Funding***

TfL and its subsidiaries (the “**TfL Group**”) currently receive their funding from three main sources: sales revenues received by its subsidiaries from ticket sales, Congestion Charging revenues and grant funding.

Sales revenues are by their nature uncertain and are subject to the determination by the Mayor of the levels of fares. TfL is also exposed to the risk of decline in the number of passengers using its transport services, which would reduce its income from that source. The revenue available to TfL from Congestion Charging may likewise be reduced if fewer road users make relevant journeys into the Congestion Charging zone. Any such decline in passengers or reduction road users paying the Congestion Charge could reduce TfL’s revenues and have a significant adverse impact on the financial condition of TfL.

Grant Funding is mainly the Transport Grant (as defined below in “*Description of TfL and its Subsidiaries – Funding of TfL – TfL Sources of Funds*”) for each financial year plus any amounts allocated to it by the GLA from sums provided by central Government or from other GLA taxation revenues. The Transport Grant is determined each year by the Secretary of State for Transport (the “**Secretary of State**”) after consultation with the Mayor. In October 2010, TfL announced that, as part of the Comprehensive Spending Review announced by the Chancellor of the Exchequer, TfL had received a revised funding settlement from the Secretary of State. A copy of the revised funding settlement, is set out in Appendix A to this Base Prospectus. The funding settlement includes the Secretary of State’s present intentions, which are potentially subject to change, regarding annual grant amounts and borrowing limits, and separate annual grant amounts and borrowing limits for Crossrail, in each case through to 2014/15. The revised funding settlement replaces the previous TfL funding settlement of 4

October 2007 (as confirmed in February 2008) and supersedes any other outstanding funding agreements with the Secretary of State. Pursuant to the Greater London Authority Act 1999 (as amended by the Greater London Authority Act 2007) (the “**GLA Act**”), the amount of the Transport Grant, or any terms relating to payment of the Transport Grant, may be varied from time to time by the Secretary of State after consultation with the Mayor. Due to the nature of grant funding there is a risk that the size of future grants may be reduced. Any such reduction could have a significant adverse impact on the revenues and financial condition of TfL.

Further, such grant funding may be replaced in part due to funding being received from a share of locally-retained business rates (see further “*Description of TfL and its subsidiaries*” – “*Funding of TfL*”- “*Local Government Resource Review*” below. Any such reduction of funding, to the extent other funding is not received, could have a significant adverse impact on the revenues and financial condition of TfL.

### ***TfL’s Borrowing and Derivative Powers***

Under the Local Government Act 2003 (the “**LGA 2003**”), the Mayor may determine (subject to consultation with both the London Assembly (the “**Assembly**”) and TfL) the amount of money that TfL can afford to borrow. The Mayor’s determination is subject to central Government’s reserve powers to make regulations in relation to (amongst other things) when and how a local authority (including TfL) may determine its affordable borrowing limit and to cap the amount of borrowing to be incurred by a local authority (including TfL) if the total level of local government borrowing reaches levels that are damaging to the national economy, or if a particular authority is believed to be borrowing more than it can afford. No assurance can be given as to the impact which any regulations made by central Government or cap imposed by central Government after the date of this Base Prospectus will have on the ability of TfL to continue to carry out its functions or meet its obligations to make payments of principal and/or interest in respect of the Notes.

Under the Transport for London Act 2008 (the “**TfL Act 2008**”), qualifying subsidiaries of TfL may, subject to compliance with certain provisions and for the purposes of the prudent management of the financial affairs of the TfL Group, enter into any derivative investment in connection with any actual or prospective asset or liability of a TfL body if such derivative investment is entered into for the purpose of limiting the extent to which any TfL body will be affected by matters including interest rates, exchange rates, inflation or the price of commodities used by any TfL body. While TfL uses this power to reduce the impact of changes in interest rates and exchange rates and intends to use it to reduce the impact of changes in inflation and commodity prices, there can be no assurance of the extent to which these measures will be successful.

### ***TfL self-insurance***

As described in “*Description of TfL and its Subsidiaries – TfL’s Operations – Insurance*”, London Transport Insurance (Guernsey) Limited (“**LTIG**”) provides insurance and/or reinsurance cover to the TfL Group for third party liability, corporate manslaughter, employer’s liability and property damage. There can be no assurance that, at any relevant time, LTIG will have sufficient funds to meet these costs. (See also “*Disruption caused by a major incident or terrorism*” below).

### ***Crossrail***

Construction and integration of Crossrail will be taken forward by Crossrail Limited, a wholly owned subsidiary of TfL. As a large infrastructure project, the Crossrail project faces risks commensurate with such projects. These risks include cost overrun, delayed opening, failure

to deliver the expected service scope, major safety issues, revenue and operating cost issues. There are also risks around the funding streams, increased inflation, contingency amounts and finance identified for the project.

The two sponsors, TfL and DfT, set out in the Core Agreements (as defined in “*Description of TfL and its Subsidiaries – TfL’s Operations - Crossrail*”) in 2008, the governance, legal and operational arrangements for Crossrail. These cover the allocation of risks and funding streams between the sponsors. The funding streams were partially revised following the outcome of the Comprehensive Spending Review in October 2010 (as indicated in “*Description of TfL and its Subsidiaries – TfL’s Operations - Crossrail*”).

The Core Agreements between the relevant parties involved with the Crossrail project recognise the uncertainties about major projects such as Crossrail and make a number of provisions about what happens if the forecast costs change or certain risks materialise. See “*Description of TfL and its Subsidiaries – TfL’s Operations – Crossrail*” for further details of the Crossrail project.

### ***Fraud***

The TfL Group is at risk of employee and customer fraud. In particular, the TfL Group is exposed to fraud in connection with ticket sales, thereby reducing revenues of the TfL Group, and to fraud in connection with procurement and management of contracts to which TfL and its subsidiaries are party. Although TfL endeavours to manage and mitigate the risk, no assurance can be given that the nature and extent of such fraudulent practices will not have a material adverse effect on the financial condition of the TfL Group.

### ***Insolvency of TfL***

TfL could be subject to the appointment of a receiver under section 13(5) of the LGA 2003 by the High Court upon application by a person entitled to principal or interest due in respect of any borrowing if the amount remains unpaid for a period of two months following written demand. The High Court may appoint such a receiver on such terms and confer on him such powers as it thinks fit. TfL is not subject to the Insolvency Act 1986 (as amended) owing to the amendment of 15 September 2003 pursuant to the Enterprise Act 2002 to the meaning of “company” in paragraph 111 of Schedule B1 of the Insolvency Act 1986.

### ***Effect of change of law***

The structure of the issue of the Notes is based on English law, tax, regulatory and administrative practice in effect as at the date of this Base Prospectus, and having due regard to the expected tax treatment of all relevant entities under such law and administrative practice. No assurance can be given as to the impact on the Notes of any possible change to English law, tax, regulatory and administrative practice in England after the date of this Base Prospectus.

### ***Effect of change of GLA Act***

The structure of the issue of the Notes is based on the GLA Act in effect as at the date of this Base Prospectus. No assurance can be given as to the impact on the Notes of any possible change to the GLA Act after the date of this Base Prospectus.

### ***TfL pension liabilities***

The TfL Pension Fund is a defined benefit (final salary) pension arrangement, as more fully described in “*Description of TfL and its Subsidiaries – TfL’s Operations – TfL Pension Fund*”.

As at 31 March 2009 the “Public Sector” section of the TfL Pension Fund (in which TfL and all of its subsidiaries participate excluding Tube Lines Limited (“**Tube Lines**”)) had a combined shortfall of £1,331 million. The size of this deficit is, and will continue to be, affected by, salary increases and factors beyond TfL’s control such as longevity rates, inflation, long term interest rates and other factors which affect investment performance. In order to fund this deficit, the employer entities within the TfL Group are making greater employer contributions. In the case of the “Public Sector” section, the deficit contribution is 12.95% of pensionable salary until 31 March 2020 and lump sums in the amount of £107.4 million, increased in line with the increase in the Retail Price Index between September 2008 and the September before the payment is made, payable on or before each of 31 March 2018, 31 March 2019 and 31 March 2020. The ongoing employer contribution rate for the “Public Sector” section is 18.05%.

TfL's subsidiary Tube Lines has its own section of the TfL Pension Fund and as at 31 March 2009 it had a shortfall of £75.6 million. The size of this deficit is affected by similar factors as those identified above in respect of the "Public Sector" section. Tube Lines is paying in deficit contributions of £0.923 million per month until 31 December 2017, increased each 1 April from 1 April 2011 by the percentage increase (if any) in the Retail Prices Index over the year to the previous September. The ongoing employer contribution rate for the Tube Lines section is 20.95% of pensionable salary.

There can be no assurance that TfL will not have to make significant employer contributions in future, to fund a deficit or otherwise, which may have a significant adverse effect on the financial condition of TfL.

### ***Trade union relations***

The relationship that the TfL Group has with unions is important and any failure to maintain a positive working relationship with the trade unions may jeopardise the ability of the TfL Group to deliver services of an acceptable standard. This could have a significant impact on costs and on performance levels and therefore sales revenues through ticket sales.

### ***Exposure to fuel and energy costs***

As a transport authority responsible for the transport infrastructure within Greater London, TfL has exposure to electricity costs and other fuel costs as part of the operation of transport vehicles. TfL’s exposure to these costs may be proportionally greater than some other industries, and as such, TfL has exposure to sharp price increases. The cost of these increases may have a significant adverse effect on the financial condition of TfL.

### ***Force Majeure***

Catastrophic events which are outside TfL’s control, such as war and terrorism, floods, droughts, earthquakes or other such events could result in personal injury, loss of life, pollution or environmental damage, severe damage or destruction of the transport network in Greater London. TfL may be prevented from fulfilling its obligations under the GLA Act and the revenues and funding made available to TfL may reduce or cease.

### ***Disruption caused by a major incident or terrorism***

There is a risk that TfL's operations might be affected by a major incident including accidents or terrorism (such as the terrorist attacks of July 2005) which may lead to significant disruption on the network and lack of passenger confidence in the security of the network which may impact its revenue and/or require TfL to make significant alterations to its programme of work. The TfL Group purchases insurance for property damage from terrorism from a government backed consortium, but such an incident may have an adverse effect on TfL's revenues generated from fares for which insurance is not currently purchased. In addition, London Underground Limited ("**LUL**") insures against asset damage caused by terrorism in respect of which insurance may be (a) unavailable in the insurance market, or no longer available at commercially acceptable rates, or (b) available in the insurance market but not purchased by LUL. In such circumstances, the cost of reinstating part of the London Underground network following damage, and the cost of meeting any claim by a third party caused by a terrorist incident will be required to be met by LUL and this may have significant adverse effect on the financial condition of LUL and TfL.

### ***Environmental, Health and Safety Laws and Regulations***

The TfL Group is subject to environmental, health and safety laws and regulations including health and safety laws and regulations of the workplace. Typically these laws and regulations provide for substantial fines and potential criminal sanction in the event of violations. No assurance can be given that material capital expenditures costs or operating expenses beyond those currently anticipated will not be required under applicable environmental, health, and safety laws and regulations, or that developments with respect to such laws and regulations will not adversely affect the TfL Group's revenues.

### ***TfL's Statutory Functions and contractors***

TfL is reliant upon certain contractors and sub-contractors for providing services in the performance of its statutory duties. Contractor or sub-contractor default or failure to provide services to the required standards could result in TfL failing fully or adequately to discharge its statutory duties. No assurance can be given as to the effect of contractor or sub-contractor default on the TfL Group.

### ***General Business Risks***

In common with other organisations having its range of operations and scope, TfL may be adversely affected by risks associated with: quantity and quality of personnel (including the availability of appropriately qualified applicants for senior positions within TfL); resilience and robustness of systems and business plan; effectiveness of strategic decision-making; and organisational shape.

### ***TfL as a statutory body***

TfL was established pursuant to section 154 of the GLA Act for the purpose of: (a) facilitating the discharge by the GLA of its duties to develop and implement policies for the promotion and encouragement of safe, integrated, efficient and economic transport facilities and services to, from and within Greater London; and (b) securing or facilitating the implementation of the Mayor's Transport Strategy (as defined and further explained in "*Description of TfL and its Subsidiaries – The Transport Strategy*").

Pursuant to the GLA Act, TfL must exercise its functions in accordance with guidance and directions issued by the Mayor (in particular, the Mayor may issue guidance or directions as

to the performance of TfL's duties and as to TfL's conduct of legal proceedings). The Mayor's Transport Strategy is also subject to scrutiny by the Secretary of State: if the Secretary of State considers that the Transport Strategy of the Mayor (or any part of it) is inconsistent with national policies relating to transport, the Secretary of State may, in certain circumstances, direct the Mayor to revise the Transport Strategy to remove the inconsistency. There is a risk that guidance or directions are issued by the Mayor regarding the actions of TfL or that the Mayor's Transport Strategy is revised to be consistent with national policy in such a way that TfL's ability to make payments of interest and/ or principal in respect of the Notes is affected.

### ***Judicial Review***

As a statutory body, the actions and operations of TfL are subject to judicial review by the courts. The courts have an inherent jurisdiction to review the exercise of statutory power by public bodies or officers. Judicial review is concerned with reviewing not the merits of a decision in respect of which the application for judicial review is made, but the decision making process itself. An application for judicial review may be brought by persons with "sufficient interest" in the decision taken by the relevant statutory or public body. Upon an application for judicial review, the courts may grant a quashing order, a prohibiting order, or a mandatory order. In addition, the court has power, in specified circumstances, to grant a declaration or an injunction or to award damages. No assurance can be given that a project or action taken by TfL or its subsidiaries will not be subject to an application for judicial review by a person with "sufficient interest" in the project or action and that such project or action is delayed or prohibited.

### ***General Political Risk***

As highlighted in "*Risk Factors - TfL's Sources of Funding*", "*Risk Factors - TfL as a statutory body*" and "*Risk Factors - Tube Lines*", TfL, its funding and operations are subject to direction, approval and guidance from the Mayor and scrutiny from the Secretary of State. No assurance can be given as to the impact on the Notes of any possible change of the Mayor, the Secretary of State or to the statutory framework relating to the GLA and TfL after the date of this Base Prospectus.

### ***Risks associated with Major Projects and Contracts***

As described in "*Description of TfL and its Subsidiaries*" below, TfL and certain of its subsidiaries have undertaken capital projects regarding the transport infrastructure of London (e.g. Crossrail, London Underground upgrades, extensions to surface rail systems). In addition, TfL has undertaken and is planning to undertake further capital projects regarding the transport infrastructure of London. It is the nature of the business of the TfL Group to enter into large high value projects such as these.

These projects bring with them significant risks for the TfL Group in terms of the risks assumed under the contractual documentation (which is often complex and difficult to negotiate and can give rise to issues regarding interpretation and implementation); in the management of contract performance; project delivery by third parties (on whom the TfL Group may be obliged to rely heavily with varying degrees of contractual leverage to ensure such delivery); in the reputational risk to TfL in the event of an adverse event of non-completion of the project; and decisions made by planning and other external authorities. As a result, capital projects may be delayed or significantly change due to circumstances within and outside TfL's control. As a consequence of the borrowing constraints imposed by the LGA 2003, a delay in capital projects may not result in a delay in the incurrence of the associated borrowing.

Although the TfL Group has implemented, and is continuing to improve, a method of risk assessment, techniques of risk identification and quantification and management and mitigation procedures to minimise the likelihood of risks occurring, there can be no assurance that the provision made by the TfL Group regarding the risks in relation to these projects, (including the risk of fraud), will be sufficient. In particular, TfL's delivery of the Crossrail project (as described in "*Description of TfL and its Subsidiaries – TfL's Operations – Crossrail*") is likely to be subject to intense scrutiny.

### ***Asbestos Risk***

In common with other organisations that have infrastructure pre-dating laws on the use of asbestos, the TfL Group (notably LUL) has received and anticipate it will continue to receive claims relating to asbestos from current and former employees and contractors.

TfL also assumes responsibility for certain asbestos claims brought against the former London Regional Transport. Although the TfL Group is working to manage and mitigate the risk of asbestos claims, no assurance can be given as to the volume of such claims that will be brought or the extent to which any claims brought will be successful.

## **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

### **Risks related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features:

#### ***Variable rate Notes***

Notes with variable interest rates can be volatile investments. If they are structured to include caps or floors or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### ***Fixed/Floating Rate Notes***

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where an Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If an Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If an Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its other Notes.

#### ***Notes issued at a substantial discount or premium***

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining

term of the securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

### ***Optional Redemption of Notes***

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem any Notes when its cost of borrowing is lower than the interest rate on the Notes. Other than where the Final Terms specify that the redemption amount applicable to the Notes is the Optional Redemption Amount (Call) (as defined in Condition 9(c) in "*Terms and Conditions of the Notes*" below), at those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### **Risk Relating to the Notes Generally**

#### ***Secondary market; limited liquidity***

Notwithstanding the fact that an application has been made for the Notes to be listed on the Official List of the FSA and admitted to trading on the Regulated Market of the London Stock Exchange, the Notes are new securities and there can be no guarantee that there is or will be established a market in secondary trading of the Notes or, if such a market does develop, that it will provide Noteholders with liquidity of investment or that such liquidity will continue at all times during which the Notes are outstanding. The lack of a liquid market may affect the ability of Noteholders to sell the Notes at a price which might be expected in a fully liquid market. Thus, any re-sale price that may be available for the Notes may be less than their initial offering price or even than their fair market value and, consequently, any purchaser of the Notes must be prepared to hold such Notes for an indefinite period of time or until final redemption or maturity of the Notes. The liquidity and market value at any time of the Notes is affected by, amongst other things, the market view of the credit risk of such Notes and will generally fluctuate with general interest rate fluctuations, general economic conditions, the conditions of certain financial markets, international political events, the performance and financial condition of TfL and developments and trends in respect of London's transport network.

#### ***European Monetary Union: redenomination of Notes into Euros***

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

***There is no active trading market for the Notes***

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application has been made for the Notes issued under the Programme to be admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

***The Notes may be redeemed prior to maturity***

Unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the applicable Terms and Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

***As the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent

that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

### ***Credit Rating***

The Issuer has been assigned a rating of “AA+” by S&P, “AA+” by Fitch and “Aa1” by Moody's. Each of S&P, Fitch and Moody's is established in the EEA and is registered under Regulation EU No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the “**CRA Regulation**”).

Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings described above. The rating(s) assigned to any particular Tranche of Notes issued under the Programme will be disclosed in the Final Terms.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such application for registration has not been refused.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Luxembourg and Austria may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system or through any non-EU countries or certain dependent or associated

territories of certain Member States which has not opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

## **DESCRIPTION OF TFL AND ITS SUBSIDIARIES (the “TFL GROUP”)**

### **Corporate Description**

Transport for London is a statutory body established in July 2000 under section 154 of the GLA Act. Its head office is in England at Windsor House, 42-50 Victoria Street, London SW1H 0TL. The central switchboard telephone number is 020 7222 5600.

### **Principal business of the Tfl Group**

The principal activity of the Tfl Group is the provision of safe, integrated, efficient and economic transport facilities and services, to, from and within Greater London.

### **GLA and the Mayor**

The GLA Act provides for the governance of Greater London by the GLA. The GLA was set up under the GLA Act and its principal purposes are the promotion of economic development, social development, wealth creation and improvement of the environment of Greater London.

The GLA is a statutory corporation and consists of the Mayor and the London Assembly.

The Mayor is directly elected by voters in London for a fixed term of four years. The Assembly is a body consisting of 25 members who are elected for a fixed term of four years at the same time as the Mayor.

TfL is one of the four “functional bodies” of the GLA. The other functional bodies are the London Legacy Development Corporation, the Mayor's Office for Policing and Crime and the London Fire and Emergency Planning Authority. The London Development Agency (“LDA”) (along with other Regional Development Agencies) was abolished on 31 March 2012 and ceased to exist as a separate functional body. The remaining functions, assets and liabilities of the LDA were transferred to the GLA under a statutory transfer scheme.

The GLA Act imposes on the Mayor a general duty to promote and encourage safe, integrated, efficient and economic transport facilities and services to, from and within London.

### ***The Transport Strategy and Business Plan***

Under section 41 of the GLA Act, the Mayor on behalf of the GLA has responsibility for developing strategies (such as the Transport Strategy) and, under Schedule 6 and section 85 of the GLA Act, for setting budgets and budget requirements for the functional bodies. The Mayor is required to consult the Assembly during preparation of strategies, the budget and the budget requirements. The current Mayor’s Transport Strategy was published in May 2010.

The Transport Strategy sets out the Mayor’s transport policies and the proposals for discharging the GLA’s duties in respect of transport. It must, among other things, be consistent with the national policy and such other international obligations as the Secretary of State may notify to the Mayor. The Secretary of State has the power to direct the Mayor to amend the Transport Strategy if the Secretary of State considers it to be inconsistent with national policies relating to transport and such inconsistency is detrimental to any area extending beyond Greater London.

TfL’s Business Plan sets out how TfL intends to implement the Mayor’s Transport Strategy over the period covered by its funding settlement with Government. It defines the projects and programmes to be delivered, how they will be funded, and outcomes to be achieved.

## **Structure and Governance**

Under the GLA Act, TfL is able to do such things and enter into such transactions as are calculated to facilitate, or are conducive or incidental to, the discharge of any of its functions. Schedule 10 of the GLA Act sets out TfL’s governance framework, its decision-making process, proceedings and the mechanism for delegating functions.

### ***The TfL Board***

TfL is required to have a board of between eight and 17 members (the “**Board**”) including the chair (the “**Chair**”). The Chair and all members of the Board are appointed by the Mayor. The Mayor may choose whether or not to be a member of the Board. Where the Mayor is a member of the Board, he must be the Chair.

The current members of the Board are as follows:

Boris Johnson (Chair)  
Isabel Dedring, Deputy Chair  
Peter Anderson  
Charles Belcher  
Christopher Garnett  
Baroness Tanni Grey-Thompson  
Eva Lindholm  
Daniel Moylan  
Bob Oddy  
Patrick O’Keeffe  
Keith Williams  
Steve Wright

In accordance with TfL’s existing standing orders, the Board provides the strategic guidance to facilitate the implementation of the Mayor’s Transport Strategy and the provision of safe, integrated, efficient and economic transport facilities and services to, from and within Greater London. Unless specifically prohibited by the GLA Act, TfL may arrange for any of its functions to be discharged on its behalf by any committee or sub-committee of TfL, wholly-owned subsidiaries, any member or officer of TfL or any body of members and/or officers of TfL.

### ***Executive Team***

The Commissioner, who as at the date of this Base Prospectus is Peter Hendy, CBE, together with the Chief Officers make up the executive team of TfL and are responsible and accountable for the delivery of the day-to-day operations of TfL. The current Chief Officers and their respective positions are:

<b>Name</b>	<b>Position</b>
Peter Hendy	Commissioner
Steve Allen	Managing Director, Finance
Leon Daniels	Managing Director, Surface Transport
Mike Brown	Managing Director, Rail and Underground
Howard Carter	General Counsel

<b>Name</b>	<b>Position</b>
Michèle Dix	Managing Director, Planning
Vernon Everitt	Managing Director, Marketing and Communications

## **Funding of TfL**

### *TfL Sources of Funds*

The TfL Group is largely funded by a combination of the transport grant provided under the GLA Act (the “**Transport Grant**”), ticket, Congestion Charging and other revenues and the GLA’s grant allocation to TfL.

- *Transport Grant*

Pursuant to section 101 of the GLA Act, the amount of the Transport Grant is determined each financial year by the Secretary of State after consultation with the Mayor. The Transport Grant is an annual grant payable in instalments by the Secretary of State based on allocations made in the HM Government spending review process. See TfL’s audited Statement of Accounts for further details regarding the Transport Grant. Section 103(1) of the GLA Act compels the GLA to account “forthwith” for the Transport Grant to TfL and, as such, the Transport Grant is not available to the GLA for other purposes or for the allocation to a functional body of the GLA other than TfL. The Transport Grant, or any terms relating to its payment, may be varied from time to time by the Secretary of State after consultation with the Mayor.

- *Revenues*

The TfL Group’s sales revenues are generated primarily by fares, revenues from Congestion Charging, charges made in relation to hackney carriage and private hire vehicle licensing, commercial advertising and revenue from the London boroughs in respect of free travel for older and disabled people.

Under section 174 of the GLA Act, the Mayor is required to issue directions or guidance to ensure that the general level and structure of the fares to be charged for public passenger transport services provided or secured by TfL are determined.

On 29 November 2011, in the Autumn Statement the Chancellor of the Exchequer announced that TfL and regulated rail fares would increase in line with the Retail Price Index (“**RPI**”) plus one per cent. for one year from January 2012. The Mayor had previously directed TfL to set fares at RPI plus two per cent.. Following the Chancellor of the Exchequer's announcement, the Mayor issued a further direction to TfL to set fares at RPI plus one per cent. To offset the decrease in fare revenues resulting from a lower increase in fares, the Secretary of State agreed to increase TfL’s Transport Grant by £136m (over the period 2012/13 to 2014/15), an amount which covers in full the predicted reduction in fare revenues.

- *GLA Grants*

Pursuant to section 100 of the GLA Act Central Government pays to the GLA a general grant (the “**General GLA Grant**”) for the purposes of the GLA and the functional bodies. In accordance with section 102 of the GLA Act, it is the duty of the GLA to distribute out of the general funds received by it such amounts as are required

by each of the functional bodies, including TfL, to meet their respective budget requirement for a particular year.

### ***Local Government Resource Review***

The Local Government Resource Review was launched by the Secretary of State for Communities and Local Government (“CLG”) in late 2010, after the Government indicated its intention to replace the current ‘needs based’ funding system with a funding system that incentivises authorities to grow their business rates base.

The March 2012 UK Budget stated that: “The Government intends, in principle, that Transport for London (TfL) should receive funding from a locally-retained share of London’s business rates that will allow the Mayor of London to continue sustainable investment in transport, and is considering options for how this might be achieved.”

On 17 May 2012 in a document entitled "Statement of Intent – Business Rates Retention Scheme: The Central and local shares of business rates" (the "**Statement of Intent**"), CLG announced the Government’s proposals to allow local authorities to retain a share of business rates in their areas in order to provide a direct financial incentive for delivering local economic growth. CLG also announced that “Funding for TfL will (i) continue to include a Transport Grant payable directly to the GLA for the purposes of TfL, as provided for under Section 101 of the GLA Act; and (ii) include a share of the locally retained business rates passed through the GLA.”

On 18 May 2012, the Secretary of State followed up publication of the Statement of Intent with a letter to the Mayor, noting that the new arrangements should not be construed as a weakening of the Government’s support for TfL and that her expectation is that the new arrangements should not reduce the amount of money available to TfL over the Spending Review period to 2014/15. An updated funding settlement, reflecting the proposed locally-retained business rates funding system, is expected to be agreed with the Secretary of State in due course following the enactment of the Local Government Finance Bill, which is currently before parliament.

The new funding system is expected to start in April 2013, subject to enactment of the Local Government Finance Bill. CLG is expected to consult on the scheme detail over the summer of 2012, with detailed financial information to be finalised over the autumn of 2012.

### ***Statutory Regime***

TfL must exercise its functions so as to secure or facilitate the implementation of the Transport Strategy and for the purpose of facilitating the discharge of the Mayor’s general transport duty. The Mayor may also delegate to TfL, with certain exceptions, any function exercisable on behalf of the GLA by the Mayor. TfL is statutorily obliged to follow any written guidance or directions given to it by the Mayor as to the manner in which TfL exercises its functions, including how it performs its duties or conducts legal proceedings.

The GLA Act states that TfL shall not be regarded as the servant or agent of the Crown or as enjoying any status, immunity or privilege of the Crown. As a statutory corporation, TfL can sue and be sued independently of its members and can only carry on activities which are within its statutory powers.

Under the GLA Act, TfL cannot carry out certain activities except through a company limited by shares which is a subsidiary of TfL or which TfL formed, or joined with others in forming. The Transport for London (Specified Activities) Order 2000 lists those activities which must

be carried out by a subsidiary. Currently, the activities of the TfL Group are carried out both by TfL and through TfL's direct and indirect wholly-owned subsidiaries. See TfL's audited Statement of Accounts for further details regarding the subsidiaries of TfL.

Both TfL and the GLA are subject to the LGA 2003 and the local government capital finance regime which was introduced by the LGA 2003 (although TfL is not considered a local authority for all purposes under the LGA 2003, largely because not all of the provisions of the LGA 2003 are relevant to TfL). Under the LGA 2003, TfL determines for itself how much money it can afford to borrow. Furthermore, in accordance with section 13(3) of the LGA 2003, all money borrowed by TfL (such as money borrowed pursuant to the issuance of Notes) is charged indifferently on all the revenues of TfL.

- *Prudential Code*

TfL must have regard to the Prudential Code, developed by the Chartered Institute of Public Finance Accountancy and which enshrines the principles of the prudential borrowing regime, in developing its borrowing plans.

- *Borrowing Limit*

Any money borrowed by TfL pursuant to the LGA 2003 must be prudent and affordable. In the case of TfL, the LGA 2003 requires the Mayor (subject to consultation with both the Assembly and TfL) to determine and keep under review how much money TfL can afford to borrow by setting an affordable borrowing limit. Any decision made by the Mayor in relation to TfL's affordable borrowing limit is also subject to regulations that may be made by the Secretary of State which are further described in the paragraph "Role of Central Government" below. Pursuant to the LGA 2003, TfL may not breach this limit and if it is exceeded, subsequent borrowing is unlawful.

To date, TfL has borrowed from a number of sources, including previous issues under this Programme, issues under its £2 billion Euro Commercial Paper Programme, the European Investment Bank and the Public Works Loan Board. See TfL's audited Statement of Accounts for further details regarding TfL's borrowings.

- *Role of Central Government*

Central Government has reserve powers to enable it to make regulations as to when and how a determination of an affordable borrowing limit by a local authority (including TfL) should be made. Central Government may, for national economic reasons, also impose a cap on the total level of local government (including TfL) borrowing, or if a particular authority is believed to be borrowing more than it can afford.

- *TfL's Budget*

TfL is a relevant authority for the purposes of Part VIII of the Local Government Finance Act 1988 and is obliged to produce a balanced annual budget. The Mayor and the Assembly are also obliged to produce a balanced budget pursuant to section 85 of the GLA Act.

Under the GLA Act, it is the duty of the Mayor and the Assembly to prepare and approve the budgets and budget requirements of the GLA and the functional bodies

(including TfL). The Mayor will prepare the draft budgets and budget requirements and submit them to a public meeting of the Assembly for consideration and approval.

- *Risk Mitigation*

Under section 49 of the TfL Act 2008, qualifying TfL subsidiaries may, with TfL's consent and subject to safeguards, enter into derivative investments for the purposes of limiting the extent to which TfL or any TfL body will be affected by changes in interest or exchange rates, inflation indices or certain other market rates or prices.

### ***TfL's Financial Administration***

TfL is subject to the same regime in respect of audit, finance and borrowing as local authorities. This regime is set out in various pieces of legislation. TfL must make arrangements for the proper administration of its financial affairs and appoint one of its officers (who must be suitably qualified as defined by statute) to the statutory position of Chief Finance Officer to oversee its financial affairs. As at the date of this Base Prospectus, the Chief Finance Officer of TfL is Stephen Critchley (who is expected to retire by the end of July 2012, to be replaced by David Goldstone from November 2012 with interim arrangements in place to ensure that this statutory function continues to be fulfilled). The Chief Finance Officer has a statutory duty to make a written report to the Board, the Mayor, the Assembly and the external auditors if, for any reason, he considers that TfL has or is about to enter into expenditures which are unlawful or which are likely, in any financial year, to exceed its available resources. TfL's Chief Finance Officer is responsible for the preparation of TfL's financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. Pursuant to section 133 of the GLA Act, TfL's accounts are subject to audit under the Audit Commission Act 1998. The auditors must audit TfL in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission as further described below.

TfL's subsidiaries are audited as companies registered under the Companies Act 2006 other than London Transport Insurance (Guernsey) Limited which is audited as a company registered under the laws of Guernsey. As at the date of the last audited financial statements, TfL's external auditors were KPMG LLP. The members of the relevant subsidiaries appoint the auditors.

### **TfL's Operations**

TfL is the integrated body responsible for the London's transport system. These services include: London's buses, London Underground, Docklands Light Railway, London Overground, London Tramlink, management of certain roads in London and the Congestion Charging scheme, the Barclays Cycle Hire scheme, Victoria Coach Station, London Taxi and Private Hire, managing certain piers on the River Thames and Crossrail (as defined below).

TfL is divided into the business units described in further detail below, which are responsible for overseeing the operations of TfL and its principal subsidiaries.

### ***Rail and Underground***

The Rail and Underground business unit is responsible for overseeing the operations of London Underground, Tube Lines, Docklands Light Railway, London Overground, London Tramlink, and Emirates Air Line (Cable Car) and for developing major rail infrastructure projects for London.

### *London Underground*

LUL is responsible for the London underground train network and services and owns in whole or in part 249 London underground stations. In particular, LUL is responsible for operating the train service, the maintenance and capital work, as well as overseeing the maintenance and capital work carried out by Tube Lines and the management arrangements in relation to the London Underground private finance initiative ("**PFI**") contracts.

### *London Underground PFI*

The TfL Group, through LUL, has also entered into various PFI arrangements in relation to the communication system (telephone transmission and radio) used on the London underground network, the provision of power services to the underground network and the provision of facilities management for certain British Transport Police accommodation. Such PFI arrangements are guaranteed by TfL (see TfL's audited Statement of Accounts for the year ended 31 March 2012 for further details regarding the arrangements, guarantees and contingent liabilities of TfL).

### *Other major LUL contracts*

At any one time, LUL will have in place a number of major contracts entered into in connection with the operation, maintenance and upgrade of the underground network, currently including: with Balfour Beatty Rail Projects Limited ("**Balfour Beatty**") for the renewal, upgrade and enhancement of track for a substantial proportion of the underground lines; with Bombardier Transportation UK Limited ("**Bombardier**") for the supply of a new fleet of trains and the continuing maintenance of those trains in relation to both the Victoria Line and the sub surface lines, as well as for the supply and maintenance of a new signalling system on the sub surface lines; with a consortium of Taylor Woodrow (part of Vinci PLC) and BAM Nuttall Limited (the "**VBN consortium**") to carry out a major station upgrade at Tottenham Court Road station, and with the VBN consortium to carry out a major station upgrade at Victoria station; with a consortium of Costain Limited and Laing O'Rourke Construction Limited to carry out a major station upgrade at Bond Street station.

### *Tube Lines*

On 27 June 2010, TfL acquired the entire issued share capital and shareholder loan notes of Tube Lines (Holdings) Limited ("**TLH**") - the parent of Tube Lines, the company responsible for the renewal and maintenance of the Jubilee, Northern and Piccadilly underground train network - for a sum of £310 million to be paid in two instalments. TLH is now a subsidiary of Transport Trading Limited, a wholly owned direct subsidiary of TfL.

TfL also announced on 27 June 2010 that it had entered into arrangements to restructure £1.75 billion of debt obligations of Tube Lines (Finance) PLC ("**TLF**"), a wholly owned subsidiary of TLH and a special purpose finance company established to raise the debt required by Tube Lines to fund the infrastructure works. £135 million of TLF debt was redeemed on 5 July 2010. On 23 August 2011, TLF acquired £217,063,000 (in face value) of its Class A-1 5.5400 per cent. Guaranteed Notes due 2031. On 12 September 2011, TLF acquired all of the outstanding Class A-2C 5.5170 per cent. Guaranteed Notes due 2031 (face value: £95,260,000). On 14 October 2011, TLF completed the acquisition of all outstanding Class A-1 5.5400 per cent. Guaranteed Notes due 2031 (face value: £929,350,000). The notes acquired were cancelled upon acquisition and de-listed from the Irish Stock Exchange. As such notes were guaranteed by TfL, the total amount of TLF debt directly guaranteed by TfL was reduced accordingly and now totals £74 million.

At any one time Tube Lines will have in place a number of major contracts, currently including: with Thales Rail Signalling Solutions Limited, for the Northern Line signalling upgrade; and with Alstom NL Service Provision Limited, for the supply of Northern Line trains, equipment and related services including cleaning and maintenance.

#### *Docklands Light Railway*

London Rail is responsible for the Docklands Light Railway (“**DLR**”) franchise, through the TfL subsidiary, Docklands Light Railway Limited (“**DLRL**”). The DLR is a light railway system opened in East London, currently covering 45 stations and 38 kilometres of track infrastructure. The operation and maintenance of the DLR is let under a franchise agreement with Serco Limited for 7 years expiring on 1 April 2013 (with an option to extend the term for up to a further 2 years).

In April 2005, DLRL entered into a supply contract with Bombardier for the supply of 24 new railcars. At the same time, DLRL entered into a finance lease with Pittville Leasing Limited in respect of these railcars. In June 2006, DLRL entered into a further supply contract with Bombardier for the supply of a further 31 new railcars which will be owned by DLRL. All of these vehicles have been delivered and are now in operation on the railway.

DLRL has also entered into various PFI and other arrangements in relation to the construction of branches of the DLR network with: (i) City Greenwich Lewisham Rail Link plc for the route from Crossharbour to Lewisham via Greenwich, (ii) City Airport Railway Enterprises for the route from Canning Town to King George V Station at North Woolwich, via London City Airport, (iii) Woolwich Arsenal Rail Enterprises for the route from King George V Station at North Woolwich to Woolwich Arsenal, and (iv) with Skanska Construction UK Limited and Volker Rail Limited (in joint venture) for the extension to Stratford International station, which opened on 31 August 2011. The latter extension (which is a design and build contract and not PFI) includes four new stations and connects London 2012 Olympic and Paralympic venues at Stratford, Custom House (Excel London) and Woolwich Arsenal. On 23 November 2011, TfL acquired the entire issued share capital and shareholder loan notes of City Airport Rail Enterprises (Holdings) Limited and Woolwich Arsenal Rail Enterprises (Holdings) Limited and their respective subsidiaries City Airport Rail Enterprises PLC (“**CARE**”) and Woolwich Arsenal Rail Enterprises Limited (“**WARE**”). The outstanding senior commercial debt of CARE and WARE (excluding the European Investment Bank loan to WARE) was prepaid on 28 November 2011. The European Investment Bank loan to WARE was novated into a loan to TfL on 27 February 2012.

TfL guarantees the payment obligations of DLRL under its agreement with Pittville Leasing Limited in relation to railcars referred to above. See the audited Statement of Accounts for further details regarding guarantees and contingent liabilities of TfL.

#### *Emirates Air Line (Cable Car)*

DLRL is also the contracting party for a project to build a cable car system across the Thames. The airline Emirates is sponsoring the new cable car river crossing. This is known as the Emirates Air Line and provides a new crossing of the River Thames between two new terminals called Emirates Greenwich Peninsula and Emirates Royal Docks. The cable car system became operational on 28 June 2012.

#### *London Overground*

London Overground is the brand name behind TfL’s heavy rail operations. At present, London Overground is made up of the North London, West London, Euston-Watford, Gospel

Oak-Barking and East London lines passenger rail services. The services on these lines are operated through concession arrangements with London Overground Rail Operations Limited for 7 years expiring on 8 November 2014 (with an option to extend the term for up to a further 2 years).

In August 2006, TfL, through its subsidiary Transport Trading Limited, entered into a supply contract with Bombardier for the supply of a fleet of 54 new rolling stock units for the North London and East London lines. This supply contract was subsequently novated to another TfL subsidiary, Rail for London Limited (“**RfL**”). RfL entered into a sale and leaseback arrangement with QW Rail Leasing Limited, for an operating lease that expires in 2027. A further three units were ordered in 2009, through the exercise of options in the 2006 contract, for delivery in 2011, and these were added to the lease in 2010. TfL guarantees RfL’s payment obligations under the lease agreement. See the audited Statement of Accounts for further details regarding guarantees and contingent liabilities of TfL.

### *London Tramlink*

London Tramlink manages the operations and infrastructure of the 28 kilometre tram system in south London between Wimbledon and Croydon. The operation of the tram network is carried out by Tramlink Operations Limited under a 30 year concession contract, due to expire in 2030.

### *Surface Transport*

Surface Transport is responsible for a range of public transport services including the provision of the London bus network and Victoria Coach Station, London taxi and private hire, managing Thames river piers, the Dial-a-Ride Service as well as the management, maintenance and development of the Transport for London Road Network, the Barclays Cycle Hire scheme, the Congestion Charging scheme, traffic management and the funding of transport policing and enforcement.

### *Buses*

TfL is responsible, through its subsidiary London Bus Services Limited (“**LBSL**”), for the regulation of the London bus network, including planning bus routes and setting bus service levels, as well as monitoring service quality.

Bus services are operated by private sector operators under contract to LBSL for a duration of five years (extendable to seven years if certain standards are met). LBSL is responsible for planning and developing bus services and letting and managing the contracts with private operators. TfL is responsible, through LBSL, for bus infrastructure and for certain support services regarding the bus network. TfL is also responsible for the operation of Dial-a-Ride, which provides a door-to-door transport for people with disabilities.

### *Congestion Charge*

TfL maintains and operates the central London Congestion Charging scheme. The Western Extension Zone of the Congestion Charging scheme was removed on 4 January 2011.

### *Barclays Cycle Hire Scheme*

In July 2010, TfL introduced the Barclays Cycle Hire scheme, a scheme enabling people to hire bicycles at docking stations in central London 24 hours a day, 365 days a year.

## *Other*

TfL procures the operation of the Low Emission Zone, an area covering most of Greater London within which certain vehicles are required to meet specific emissions standards or to pay a daily charge. TfL also owns nine piers on the River Thames and operates eight of them and licenses boat services using those piers. TfL also provides an arrival and departures facility for coaches in London at Victoria Coach Station and procures operations of the Woolwich Ferry.

## *Crossrail*

The Crossrail project (“**Crossrail**”) is a proposed high frequency railway service through London, from Maidenhead and Heathrow in the west, through the West End and the City of London (by new twin-bored tunnels), to Shenfield in the north east and the Isle of Dogs and Abbey Wood in the south east. Construction and integration of Crossrail will be taken forward by Crossrail Limited (“**CRL**”), a wholly owned subsidiary of TfL.

The governance arrangements under which Crossrail will be taken forward (the “**Core Agreements**”) were signed by TfL, DfT and CRL in December 2008 and comprise the key legal agreements that govern Crossrail:

- the Sponsors Agreement between DfT and TfL which governs the relationship between DfT and TfL (together the “**Sponsors**”); and
- the Project Development Agreement between DfT, TfL and CRL, which governs the relationship between the Sponsors and CRL also sets out CRL’s obligations to deliver Crossrail in accordance with Sponsors’ requirements.

The Comprehensive Spending Review announcement on 20 October 2010 confirmed that the Crossrail project is to go ahead with the introduction of services in central London in 2018 (12 months later than originally planned). Sponsors and CRL have agreed on a revised programme and approximately £1 billion in cost reductions.

The total headline funding envelope for Crossrail is £14.8 billion. Various sources will contribute to Crossrail, including the DfT, the GLA and TfL. Contributions are expected to be recovered through, for example, future fare revenues and charges.

Should the capital budget for Crossrail be exceeded, a put option granted by the Secretary of State to TfL will allow TfL to put ownership of CRL, including all its liabilities, onto DfT.

TfL will be responsible for the provision of Crossrail services, through an operating concession. Crossrail fares will be integrated with the rest of the TfL network based on the zonal structure (except that a premium will be charged to passengers travelling to Heathrow Airport) and TfL will retain the revenues.

On 23 December 2010, CRL executed two of its three contracts for major new rail tunnels under central London. The third was executed on 31 January 2011. The contracts, worth in the region of £1.25bn, are of critical importance for the Crossrail project as they will deliver the construction of 18km of twin bore tunnels underneath central London. The final two tunnelling contracts for the Thames Tunnel construction and Connaught Tunnel refurbishment, worth in aggregate approximately £225m, were let on 7 April 2011 and 26 April 2011 respectively.

On 25 July 2011 CRL awarded the Paddington station main construction contract, which is worth approximately £150m. This is the first of the main construction contracts for the new central London stations.

On 22 November 2011, CRL awarded the main construction contracts for the Farringdon and Whitechapel stations, estimated to be worth £200 million and £110 million respectively. On 13 March 2012 the construction contract for Liverpool Street station was awarded, estimated to be worth £125 million. The station construction contract for Tottenham Court Road will be awarded in 2012, and the Bond Street station contract will be awarded in early 2013. Tunnelling has commenced, with the first tunnel boring machine breaking ground at Royal Oak Portal at the beginning of May 2012.

### ***Corporate activities***

TfL has a central corporate function responsible for matters such as marketing, legal services, human resources and finance.

### ***Insurance***

LTIG, a subsidiary of TfL, is an insurance company based in Guernsey which provides insurance services to the TfL Group and certain of its contractors. LTIG is regulated by the Guernsey Financial Services Commission.

As at the date of this Base Prospectus, the Group purchases the following insurance policies from LTIG and in the case of liability and contract works insurance, the commercial market which in turn purchases reinsurance from LTIG:

- ***Liability***

In relation to employers' liability, public liability, construction liability, motor liability in respect of property damage, motor liability in respect of bodily injury and corporate manslaughter, LTIG provides reinsurance to the primary liability insurer up to agreed maximum levels in respect of each occurrence and in the aggregate. Commercial insurers issue a policy in relation to all liability claims subject to deductibles.

- ***Property Damage***

Property damage above a deductible is provided by LTIG which purchases reinsurance from commercial insurers above its retention up to the limit of cover. Property damage as a result of terrorist attacks is covered by property insurance through LTIG which is reinsured through Pool Re (the Government-backed consortium responsible for terrorism insurance) with the exception of an additional deductible imposed by the terrorism insurers.

- ***Contract Works Insurance***

With effect from 1 April 2011, an annual Contract Works cover is provided by commercial insurers to TfL specifically for but not limited to capital expenditure works under for London Underground (excluding professional indemnity insurance cover) and any other works which fall within the scope of the cover. LTIG provides reinsurance to commercial insurers up to agreed levels in respect of each occurrence and in the aggregate.

- *Crossrail Insurance*

With effect from 31 December 2009, LTIG has agreed to write the project works insurance programme for Crossrail, but will reinsure the risk 100% so as to leave no retention on the works insurance, other than the terrorism deductible imposed by Pool Re which is subject to annual revision. This is to allow access to Pool Re at a lower cost than would be the case if commercial insurers were used to access Pool Re subject to an additional deductible imposed by the terrorism insurers.

LTIG is also participating in the primary liability insurance, where it will retain a proportion of the risk, but subject to an aggregate limit over the life of the project.

- *Other policies*

LTIG provides certain other insurance policies to TfL and the TTL Group and insurance policies in relation to certain projects in which LUL is involved.

### ***TfL Pension Fund***

The TfL Pension Fund is a final salary pension scheme available to employees of the TfL Group and certain of their contractors' employees. It is a segregated sectionalised scheme. The most recent triennial valuation in respect of the "Public Sector" section as at 31 March 2009 revealed an overall funding level of just under 74% compared with 95% at the previous valuation carried out in 2006. For those sections of the TfL Pension Fund with a deficit, recovery plans have been agreed to seek to eliminate the shortfall. The next triennial valuation of the Public Sector section as at 31 March 2012 has commenced and the statutory deadline for its completion is 30 June 2013.

TfL's subsidiary Tube Lines has its own section of the TfL Pension Fund and as at 31 March 2009 it revealed an overall funding level of 60% compared with 95% at the previous valuation carried out in 2006. A recovery plan has been agreed to eliminate the shortfall. The next triennial valuation of this section as at 31 March 2012 has commenced and the statutory deadline for its completion is 30 June 2013.

## FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the “**Temporary Global Note**”), without interest coupons, or a permanent global note (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) which is not intended to be issued in new global note (“**NGN**”) form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking, société anonyme, Luxembourg (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be delivered on or around the issue date of the relevant Tranche of the Notes to a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

The Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or the United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes of that Series do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### **Temporary Global Note exchangeable for Permanent Global Note**

If the Final Terms specify the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office (as defined in “*Terms and Conditions of the Notes*” below) of the Principal Paying Agent; and
- (ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership, within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; provided, however, that in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”):

- (i) on the expiry of such period of notice as may be specified in the Final Terms; or
- (ii) at any time, if so specified in the Final Terms; or
- (iii) if the Final Terms specify “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no successor clearing system approved by the Trustee is available or (b) any of the circumstances described in Condition 12 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

#### **Temporary Global Note exchangeable for Definitive Notes**

If the Final Terms specify the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the Final Terms specify the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

#### **Permanent Global Note exchangeable for Definitive Notes**

If the Final Terms specify the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the Final Terms; or
- (ii) at any time, if so specified in the Final Terms; or

- (iii) if the Final Terms specify “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no successor clearing system approved by the Trustee is available or (b) any of the circumstances described in Condition 12 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*” below.

### **Legend concerning United States persons**

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.”

The sections referred to in such legend provide that a United States person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the Final Terms, will be endorsed on each Note in definitive form issued under the Programme.*

*Notes may be issued at any price, as specified in the relevant Final Terms. The price and amount of notes comprising each Tranche will be determined by the Issuer and the relevant Dealers(s) at the time of issue in accordance with prevailing market conditions and will be disclosed in the relevant Final Terms.*

*The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” below.*

### 1. Introduction

- (a) *Programme:* Transport for London (the “**Issuer**”) has established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of notes (the “**Notes**”).
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of the final terms (the “**Final Terms**”) which completes these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the Final Terms. In the event of any inconsistency between these Conditions and the Final Terms, the Final Terms shall prevail.
- (c) *Trust Deed:* The Notes are subject to and have the benefit of an amended and restated trust deed dated on or around 23 August 2012 (as amended or supplemented from time to time the “**Trust Deed**”) made between the Issuer and Citicorp Trustee Company Limited as trustee (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees appointed under the Trust Deed).
- (d) *Paying Agency Agreement:* The Notes are the subject of an amended and restated issue and paying agency agreement dated on or around 23 August 2012 (as amended or supplemented from time to time the “**Paying Agency Agreement**”) between the Issuer, the Trustee, Citibank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor Principal Paying agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).
- (e) *The Notes:* All subsequent references in these Conditions to “**Notes**” are to the Notes which are the subject of the Final Terms. Copies of the Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Principal Paying Agent, the initial Specified Office of which is set out below.
- (f) *Summaries:* Certain provisions of these Conditions are summaries of the Trust Deed and the Paying Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the “**Noteholders**”) and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Paying Agency Agreement applicable to them. Copies of the Trust Deed and the

Paying Agency Agreement are available for inspection by Noteholders during normal business hours at the registered office of the Trustee and the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

## 2. Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the Final Terms;

“**Additional Business Centre(s)**” means the city or cities specified as such in the Final Terms;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the Final Terms;

“**Business Day**” means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the Final Terms and, if so specified in the Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

- (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Agent**” means the Principal Paying Agent or such other Person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the Final Terms;

“**Change of Status**” means any amendment to the GLA Legislation or to any other legislation which results in:

- (i) the Issuer ceasing to be the body which is responsible for facilitating the discharge of the transport strategy under the GLA Legislation and the provision of transport facilities to, from and within Greater London; or
- (ii) the Issuer ceasing to be treated as a “local authority” within the meaning of the Local Authorities Finance Legislation; or
- (iii) the regime for the provision and payment of the Transport Grant to the Issuer under the GLA Legislation (as currently established by section 101 of the GLA Act) being withdrawn or abolished;

“**Change of Status Period**” means the period commencing on the date of a public announcement by the Secretary of State for Transport that amending legislation is to be enacted which will give rise to a Change of Status and ending on the expiry of 90 days following the enactment of such amending legislation giving rise to a Change in Status;

“**Calculation Amount**” has the meaning given in the Final Terms;

“**Coupon Sheet**” means, in respect of a Note, a coupon sheet relating to the Note;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the Final Terms and:

- (i) if “**Actual/Actual (ICMA)**” is so specified, means:

- (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number, of days in such Regular Period and (2) the number of Regular Periods in any year; and
- (b) where the Calculation Period is longer than one Regular Period, the sum of:
  - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if “**Actual/Actual (ISDA)**” or “**Actual/Actual**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**” or “**360/360**” or “**Bond Basis**” is so specified, means the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if “**30E/360**” or “**Eurobond Basis**” is so specified means, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if “**30E/360 (ISDA)**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30;

“**Determination Date**” means the date which is two business days prior to the despatch of the notice of redemption under Condition 9(c) (*Redemption at the option of the Issuer*);

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in, or determined in accordance with, the Final Terms;

“**Early Termination Amount**” means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the Final Terms;

“**Excluded Indebtedness**” means any obligation, direct or indirect, of

- (a) the Issuer or any Material Subsidiary, in respect of:
  - (i) the PPP Guarantees;
  - (ii) PPP Equivalent Obligations;
  - (iii) Limited Recourse Indebtedness; or
- (b) any Material Subsidiary if such obligation either benefits from the PPP Guarantees or the PPP Equivalent Obligations or benefits from a Guarantee entered into by the Issuer;

“**Extraordinary Resolution**” has the meaning given in the Trust Deed;

“**Final Redemption Amount**” means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in, or determined in accordance with, the Final Terms;

“**Fixed Coupon Amount**” has the meaning given in the Final Terms;

“**GLA Act**” means the Greater London Authority Act 1999 (as it may be amended from time to time);

“**GLA Legislation**” means the GLA Act or any re-enactment or amendment thereof, or any other legislation which regulates the provision of transport facilities to, from and within Greater London;

**“Gross Redemption Yield”** means, unless otherwise specified in the Final Terms, a yield calculated in accordance with principles consistent with those used in the United Kingdom Debt Management Office notice *“Formulae for Calculating Gilt Prices from Yields”* page 5, Section One: Price/Yield Formulae *“Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date”* published on 8 June 1998 and updated on 15 January 2002 and 16 March 2005 (and as further updated, supplemented, amended or replaced from time to time );

**“Guarantee”** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness (other than Excluded Indebtedness) including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness;
- (iv) and any other agreement to be responsible for such Indebtedness;

**“Indebtedness”** means any indebtedness of any Person for money borrowed or raised (other than Excluded Indebtedness) including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**“Independent Financial Adviser”** means a financial adviser appointed by the Issuer and approved by the Trustee (such approval not to be unreasonably withheld or delayed);

**“Insolvency Event”** means:

- (i) if an order shall be made by any competent court or any resolution shall be passed for the winding up or dissolution of the Issuer, save for the purpose of amalgamation, merger, consolidation, reorganisation, reconstruction or other

similar arrangement on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders;

- (ii) any of the following occurs in respect of the Issuer:
  - (a) any law is passed, or any order is made for its winding-up, administration, administrative receivership or dissolution;
  - (b) any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver (appointed under section 13(5) of the Local Government Act 2003 or otherwise), administrative receiver, administrator or similar officer is appointed (in each case out of court or otherwise) in respect of it or any substantial part of its assets; or
  - (c) its members or officers request or present a petition or file documents with the court for the appointment of a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer,

provided that paragraph (ii) does not apply to the appointment of an officer of the type described in paragraph (ii)(b) above (other than an administrator) which is being contested in good faith and with due diligence and is discharged or struck out within 14 days;

**“Interest Amount”** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**“Interest Commencement Date”** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the Final Terms;

**“Interest Determination Date”** has the meaning given in the Final Terms;

**“Interest Payment Date”** means the date or dates specified as such in, or determined in accordance with, the Final Terms and if a Business Day Convention is specified in the Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**“Interest Period”** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**“Investment Grade”** means a rating of at least BBB- (or equivalent thereof) in the case of S&P or a rating of at least BBB- (or equivalent thereof) in the case of Fitch or

a rating of at least Baa3 (or equivalent thereof) in the case of Moody's or the equivalent in the case of any other Rating Agency;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the First Tranche of the Notes of the relevant Series (as specified in the Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

**"Issue Date"** has the meaning given in the Final Terms;

**"Limited Recourse Indebtedness"** means any indebtedness incurred in relation to any asset for the purposes of financing the whole or any part of the acquisition, creation, construction, improvement or development of such asset where the financial institutions to whom such indebtedness is owed have recourse solely to such asset or project (or any derivative asset thereof) except to the extent that there is recourse to the Issuer or any Material Subsidiary, in which case, such amount of the indebtedness for which there is recourse to the Issuer or such Material Subsidiary shall not constitute Limited Recourse Indebtedness;

**"Local Authorities Finance Legislation"** means the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, or in each case, any re-enactment or amendment thereof, or any other legislation which regulates capital finance in connection with local authorities;

**"Mandatory Redemption Date"** means the date falling 30 days after the first publication in accordance with Condition 19 (*Notices*) of a Put Event Notice as referred to in Condition 9(f) (*Redemption on a Put Event*);

**"Margin"** has the meaning given in the Final Terms;

**"Material Subsidiary"** means, at any time, any Subsidiary of the Issuer whose revenues then equal or exceed 20 per cent., of the aggregate (without double counting) for the most recently ended year for which annual financial statements of the TfL Group have been prepared of: (a) revenues of the TfL Group; and (b) the Transport Grant;

For this purpose;

- (i) the revenues of a Subsidiary of the Issuer will be determined from its annual financial statements (consolidated if it has Subsidiaries) upon which the latest annual financial statements of the TfL Group have been based;
- (ii) if a Subsidiary of the Issuer becomes a member of the TfL Group after the date on which the latest annual financial statements of the TfL Group have been prepared, the revenues of that Subsidiary will be determined from its latest audited financial statements; and
- (iii) the revenues of the TfL Group will be determined from its latest annual financial statements, adjusted (where appropriate) to reflect the revenues of any company or business subsequently acquired or disposed of.

If there is a dispute as to whether or not a company is a Material Subsidiary, a certificate signed by any of the Commissioner, the Managing Director, Finance, the

Chief Finance Officer or the Director of Corporate Finance of the Issuer will be, in the absence of manifest error, conclusive;

“**Maturity Date**” has the meaning given in the Final Terms;

“**Maximum Redemption Amount**” has the meaning given in the Final Terms;

“**Minimum Redemption Amount**” has the meaning given in the Final Terms;

“**Optional Redemption Amount (Call)**” means, in respect of any Note, the amount calculated in accordance with Condition 9(c) (*Redemption at the Option of the Issuer*) or such other amount as may be specified in, or determined in accordance with, the Final Terms;

“**Optional Redemption Amount (Put)**” means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the Final Terms.

“**Optional Redemption Date (Call)**” has the meaning given in the Final Terms;

“**Optional Redemption Date (Put)**” has the meaning given in the Final Terms;

“**Outstanding Principal Amount**” means, in relation to any Note, the original principal amount of such Note as reduced (i) by repayments of principal in respect of such Note and (ii) in accordance with Condition 9 (*Redemption and Purchase*);

“**Participating Member State**” means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

“**Payment Business Day**” means:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation (if presentation is required) are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation (if presentation is required) are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or

not having separate legal personality (and which for the avoidance of doubt, shall include the Issuer);

**“Positive Certification”** means certification in writing to the Issuer by an Independent Financial Adviser that in its opinion the relevant Change of Status is not, or as the case may be, will not be materially prejudicial to the interests of the Noteholders;

**“Potential Event of Default”** means an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 12 (*Events of Default*), become an Event of Default;

**“PPP Equivalent Obligations”** means any obligations of the Issuer, the obligee of which has the benefit, direct or indirect, of a guarantee, put option, undertaking, letter of comfort, deed of safeguard, memorandum of understanding or analogous instrument whether or not having legal effect which is certified by the Issuer as providing an essentially equivalent form of reassurance to the obligee as the reassurance provided in respect of the PPP Guarantees by the letters from the Secretary of State for Transport dated 30 December 2002;

**“PPP Guarantees”** means the guarantees (as amended, supplemented or replaced from time to time) entered into by the Issuer in favour of each of Infraco JNP Limited dated on or about 31 December 2002, Infraco BCV Limited dated on or about 4 April 2003 and Infraco SSL Limited dated on or about 4 April 2003 pursuant to the London Underground Public Private Partnership;

**“Principal Financial Centre”** means, in relation to any currency, the principal financial centre for that currency provided, however, that in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**“Put Event”** means the occurrence of:

- (i) a Change of Status; and
- (ii) a Rating Downgrade in the Change of Status Period;

unless either:

- (a) a Positive Certification in respect of such Change of Status has been received by the Issuer at any time during the Change of Status Period; or
- (b) at the date of the enactment of the amending legislation giving rise to a Change of Status, the prevailing rating assigned to the relevant Rated Securities by the relevant Rating Agency is Investment Grade;

**“Rate of Interest”** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the Final Terms;

**“Rated Securities”** means:

- (i) the Notes; or
- (ii) such other comparable long-term debt of the Issuer selected by the Issuer from time to time for the purpose of this definition with the approval of the Trustee and which possesses an Investment Grade rating by any Rating Agency;

**“Rating Agency”** means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies Inc., and its successors (“**S&P**”) or Fitch Ratings Limited and its successors (“**Fitch**”) or Moody’s Investors Service Limited, and its successors (“**Moody’s**”) or any Rating Agency substituted for any of them by the Issuer from time to time with the approval of the Trustee;

**“Rating Downgrade”** means either:

- (i) the rating assigned to the Rated Securities by a Rating Agency which is current immediately prior to the commencement of the Change of Status Period being either (i) withdrawn or (ii) reduced from Investment Grade to a rating below Investment Grade; provided that a Rating Downgrade which would otherwise arise by virtue of a particular reduction in rating shall be deemed not to have occurred in respect of a specific Change of Status if the Rating Agency making the reduction in rating does not announce or confirm that the reduction was the result, in whole or in part, of any event or circumstance comprised in or arising in anticipation of or as a result of or in consequence of such Change of Status; or
- (ii) at the date of enactment of the amending legislation giving rise to a Change of Status no credit rating is assigned to the Notes by any Rating Agency and there are no other Rated Securities;

**“Redemption Amount”** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms;

**“Redemption Margin”** has the meaning given in the Final Terms;

**“Reference Banks”** has the meaning given in the Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**“Reference Gilt”** as used in these Conditions means the Sterling obligation of the United Kingdom Government listed on the official list (the “**Official List**”) of the United Kingdom Financial Services Authority (in its capacity as United Kingdom competent authority for the purposes of Directive 2003/71/EC and relevant implementing measures in the United Kingdom (the “**FSA**”)) and traded on the Regulated Market of the London Stock Exchange plc (the “**London Stock Exchange**”) whose duration most closely matches that of the Notes on the Determination Date, as the Calculation Agent shall determine to be appropriate or where the Calculation Agent advises the Trustee that for reasons of illiquidity or otherwise, such Sterling obligation is not appropriate for such purpose, such other

Sterling obligation of the United Kingdom Government as the Calculation Agent shall recommend;

“**Reference Nominal Gilt**” as used in these Conditions means the Sterling obligation of the United Kingdom Government listed on the Official List of the FSA and traded on the London Stock Exchange whose duration most closely matches that of the Notes on the Determination Date, as the Calculation Agent shall determine to be appropriate or where the Calculation Agent advises the Trustee that for reasons of illiquidity or otherwise, such Sterling obligation is not appropriate for such purpose, such other Sterling obligation of the United Kingdom Government as the Calculation Agent shall recommend;

“**Reference Price**” has the meaning given in the Final Terms;

“**Reference Rate**” has the meaning given in the Final Terms;

“**Regular Period**” means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the First Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the First Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the First Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

“**Regulated Market**” means a regulated market for the purposes of Directive 2004/39/EC (Markets in Financial Instruments Directive);

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or, as the case may be, the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“**Relevant Financial Centre**” has the meaning given in the Final Terms;

“**Relevant Indebtedness**” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock

exchange or in any securities market (including, without limitation, any over-the-counter market);

“**Relevant Screen Page**” means the page, section or other part of a particular information service (including, without limitation, the Reuters) specified as the Relevant Screen Page in the Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Time**” has the meaning given in the Final Terms;

“**Reserved Matter**” has the meaning given to it in Schedule 3 to the Trust Deed;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction but for the avoidance of doubt does not include any charge constituted by section 13(3) of the Local Government Act 2003, by which all money borrowed by the Issuer, together with any interest on the money borrowed, shall be charged indifferently on all revenues of the Issuer, or by any other legislation applicable to the Issuer from time to time;

“**Specified Currency**” has the meaning given in the Final Terms;

“**Specified Denomination(s)**” has the meaning given in the Final Terms;

“**Specified Office**” has the meaning given in the Paying Agency Agreement;

“**Specified Period**” has the meaning given in the Final Terms;

“**Statutory Successor**” means any entity, whether constituted under the GLA Legislation or not, which:

- (i) succeeds the Issuer in relation to all or substantially all of the statutory functions relating to the development, operation and funding of transport within Greater London; and
- (ii) benefits from the provision to it and payment of the Greater London Authority Transport Grant under the GLA Legislation (as currently established by section 101 of the GLA Act);

“**Sterling**”, “**£**” and “**GBP**” each means the lawful currency of the United Kingdom;

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (i) whose affairs and policies the First Person controls or has the power to control, whether by statute or statutory instrument, ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the First Person;

“**Talon**” means a talon for further Coupons;

“**TARGET2**” means the Trans European Automated Real Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euro;

“**TfL Group**” means the Issuer and its Subsidiaries;

“**Transport Grant**” means the grant payable to the Issuer pursuant to section 101 of the GLA Act or its equivalent under any other GLA legislation;

“**Treaty**” means the Treaty on the functioning of the European Union, as amended; and

“**Zero Coupon Note**” means a Note specified as such in the final Terms.

(b) *Interpretation: In these Conditions:*

- (i) any reference to an obligation to “**pay**” includes any obligation to “**repay**”, “**prepay**” and kindred expressions;
- (ii) any reference to an obligation to make “**payment**” includes any obligation to make “**repayment**”, “**prepayment**” and kindred expressions;
- (iii) any reference to an obligation to “**redeem**” includes any obligation to “**repay**” and kindred expressions;
- (iv) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (v) if Talons are specified in the Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (vi) if Talons are not specified in the Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (vii) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 11 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (viii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

- (ix) references to Notes being “outstanding” shall be construed in accordance with the Trust Deed;
- (x) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the Final Terms, but the Final Terms give no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes; and
- (xi) any reference to the Paying Agency Agreement shall be construed as a reference to the Paying Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Notes.

### **3. Form Denomination and Title**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area, in each case in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes). Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

### **4. Status**

The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

In accordance with section 13(3) of the Local Government Act 2003, the Notes will be charged indifferently on all revenues of the Issuer.

### **5. Negative Pledge**

So long as any Note remains outstanding the Issuer shall not create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness of the Issuer or Guarantee by the Issuer of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security or other arrangement for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution of Noteholders.

## **6. Fixed Rate Note Provisions**

- (a) *Application:* This Condition 6 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub unit of the Specified Currency (half a sub unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a “sub unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

## **7. Floating Rate Note Provisions**

- (a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and the day which is seven days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination:* If Screen Rate Determination is specified in the Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
  - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11,00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination:* If ISDA Determination is specified in the Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the

Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which;

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the Final Terms;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the Final Terms;
  - (iii) and the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the Final Terms.
- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub unit of the Specified Currency (half a sub unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “sub unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) *Calculation of other amounts:* If the Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the Final Terms.
- (h) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

- (i) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Trustee, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (j) *Determination or Calculation by Trustee:* If the Calculation Agent fails at any time to determine a Rate of Interest or to calculate an Interest Amount, the Trustee will determine such Rate of Interest and make such determination or calculation which shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply all of the provisions of these Conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, 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 and will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof and the Trustee shall be entitled to seek at the expense of the Issuer (and rely upon) advice from any investment bank or other expert deemed appropriate by the Trustee for the purpose. Any such determination or calculation made by the Trustee shall be binding on the Issuer, Noteholders and Couponholders.

## **8. Zero Coupon Note Provisions**

- (a) *Application:* This Condition 8 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and the day which is seven days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

## **9. Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously repaid and redeemed, or purchased and cancelled, the Notes will be repaid and redeemed at their Final Redemption Amount on the Maturity Date, unless otherwise specified in the relevant Final Terms, subject as provided in Condition 10 (*Payments*).
- (b) *Redemption for tax reasons:* The Notes may be repaid and redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if the Floating Rate Note Provisions are not specified in the Final Terms as being applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the First Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

*provided, however*, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be repaid and redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be repaid and redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by any of the Commissioner, the Managing Director, Finance, the Chief Finance Officer or the Director of Corporate Finance of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to repay and redeem have occurred.

The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out in (A) and (B) above, in which event it shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to repay and redeem the Notes in accordance with this Condition 9(b).

(c) *Redemption at the option of the Issuer (Issuer Call)*: If Issuer Call is specified in the Final Terms as being applicable, the Notes may be repaid and redeemed at the option of the Issuer in whole or, if so specified in the Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) (as defined below) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders and having notified the Trustee prior to the provision of such notice (which notice shall be irrevocable and shall oblige the Issuer to repay and redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call)) at an amount (the "**Optional Redemption Amount (Call)**") which is, unless otherwise specified in the Final Terms, equal to the Outstanding Principal Amount of a Note (less any amount of outstanding principal in respect of such Note which has fallen due for payment but remains unpaid) multiplied by the higher of:

- (i) 1; and
- (ii) the price (as reported to the Principal Paying Agent and the Issuer by a leading broker and/or primary dealer operating in the gilt-edged market selected by the Issuer (failing whom, the Calculation Agent) and approved by the Principal Paying Agent) expressed as a percentage and rounded up to four decimal places at which the Gross Redemption Yield on the Notes (if the Notes were to remain outstanding to their original maturity), on the Determination Date would be equal to the sum of the Gross Redemption Yield on the Determination Date of the Reference Gilt and the Redemption Margin as specified in the Final Terms,

together with (a) any payment of principal and interest due but unpaid on or prior to the Determination Date (other than the Optional Redemption Amount (Call) itself) and (b) any interest (other than under (a)) accrued up to and including the date fixed for redemption.

On the date specified for redemption in the notice given by the Issuer, the Issuer shall redeem the Notes as specified in the notice at the Optional Redemption Amount (Call) together with accrued interest (if any) to the date fixed for redemption.

(d) *Partial redemption*: If the Notes are to be repaid and redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), unless otherwise specified in the Final Terms, the Notes to be repaid and redeemed shall be selected by the drawing of lots in such place as the Trustee approves and in such manner as the Trustee considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 9(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be repaid and redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(e) *Redemption at the option of the Noteholders (Investor Put)*: If Investor Put is specified in the Final Terms as being applicable, the Notes may be repaid and redeemed at the option of the holder thereof on any Optional Redemption Date (Put) on the relevant Noteholder giving not less than 30 nor more than 60 days' notice (a "**Put Notice**") to the Issuer, which notice shall be irrevocable and shall oblige the

Issuer to repay and redeem the Notes or, as the case may be the Notes specified in such notice on the relevant Optional Redemption Date (Put) at an amount the Optional Redemption Amount (Put).

On the date specified for redemption in the notice given to the Issuer, the Issuer shall repay and redeem the Notes as specified in the Put Notice at the Optional Redemption Amount (Put) together with accrued interest (if any) to the date fixed for redemption.

- (f) *Redemption on a Put Event:* If at any time whilst any Note remains outstanding a Put Event occurs then, unless at any time the Issuer shall have given a notice under Condition 9(b) (*Redemption for tax reasons*) or 9(c) (*Redemption at the option of the Issuer*), the holder of each Note will have the option to require the Issuer to repay and redeem that Note on the Mandatory Redemption Date at its Early Termination Amount together with accrued interest (if to the date fixed for redemption. Each Noteholder shall only be entitled to exercise such option following the expiry of the Change of Status Period.

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, the Trustee shall (subject in each case to being indemnified and/or secured to its satisfaction), give notice (a “**Put Event Notice**”) to the Noteholders in accordance with Condition 19 (*Notices*) specifying that the nature of the Put Event and the procedure for exercising the option contained in this Condition 9(1).

- (g) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
- (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 9(g) or, if none is so specified, a Day Count Fraction of 30E/360.

- (h) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith.
- (i) *Cancellation:* All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them may, at the option of the Issuer, be cancelled. Any Notes redeemed or purchased and cancelled as aforesaid may not be reissued or resold.

## 10. Payments

- (a) *Principal*: Repayments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a Sterling cheque, a town clearing branch of a bank in the City of London).
- (b) *Interest*: Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons*: If the Final Terms specify that the Fixed Rate Note Provisions are applicable and a Note is presented for repayment of principal without all unmatured Coupons relating thereto:
  - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for repayment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for repayment is less than the amount of principal due for repayment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for repayment bears to the amount of principal due for repayment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for repayment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for repayment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

- (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for repayment) will be deducted from the amount of principal due for repayment; *provided, however, that*, if the gross amount available for repayment is less than the amount of principal due for repayment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for repayment) which the gross amount actually available for repayment bears to the amount of principal due for repayment.

Each sum of principal so deducted shall be repaid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void*: If the Final Terms specify that this Condition 10(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(c) (*Redemption at the option of the Issuer*) or Condition 12 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (i) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons*: On or after the maturity date of the Final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 13 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## **11. Taxation**

- (a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In the event that any such withholding or deduction is imposed, levied, collected,

withheld or assessed by or on behalf of the United Kingdom or any political subdivision therein or any authority therein or thereof having power to tax, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment;

- (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
  - (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
  - (iii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
  - (iv) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.
- (b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than United Kingdom references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

Any reference in these Conditions to principal or interest shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertakings given in addition thereto or in substitution thereof pursuant to the Trust Deed.

## **12. Events of Default**

If any of the following events occurs and is continuing, the Trustee at its discretion may and, if so requested in writing by holders of at least one-quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having certified in writing that the happening of an event mentioned in (b) or (d) below is in its opinion materially prejudicial to the interests of the Noteholders and such event not being contested in good faith by the Issuer and, in all cases, to the Trustee having been indemnified and/or prefunded and/or provided with security to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest without further action or formality:

- (a) *Non-payment:* the Issuer fails to pay any amount of principal or interest in respect of the Notes within three Business Days of the due date for payment thereof; or

- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and, unless such default is, in the opinion of the Trustee, incapable of remedy (when no such confirmation and notice as is hereinafter mentioned shall be required), such default remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice thereof to the Issuer; or
- (c) *Cross-default*:
- (i) any Indebtedness of the Issuer or any Material Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period; or
  - (ii) any such Indebtedness of the Issuer or any Material Subsidiary becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or any Material Subsidiary or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or
  - (iii) the Issuer or any Material Subsidiary fails to pay when due or within any originally applicable grace period any amount payable by it under any Guarantee of any Indebtedness,

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above either alone or when aggregated (without duplication) with other amounts of Indebtedness relative to all (if any) other events specified in (i) to (iii) above in any other currency exceeds £25,000,000 (or its equivalent in any other currency or currencies);

- (d) *Insolvency*: an Insolvency Event occurs.

### **13. Prescription**

Claims for principal shall become void unless the relevant Notes are presented for repayment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

### **14. Replacement of Notes, Coupons, Receipts and Talons**

If any Note, Coupon, Receipt or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons, Receipts or Talons must be surrendered before replacements will be issued.

## 15. Trustee and Agents

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment or any other action under the Trust Deed unless indemnified and/or prefunded and/or secured to its satisfaction, and to be paid its remuneration, costs and expenses in priority to the claims of Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without prejudice to the generality of the foregoing, shall not be obliged to have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 11 (*Taxation*) and/or any undertaking or covenant given in addition to, or in substitution for Condition 11 (*Taxation*) pursuant to the Trust Deed.

In acting under the Paying Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer or, following the occurrence of an Event of Default (and the giving of notice by the Trustee under the Agency Agreement), the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the Final Terms. The Issuer reserves the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent or Calculation Agent and additional or successor paying agents; *provided, however, that:*

- (a) the Issuer shall at all times maintain a Principal Paying Agent; and
- (b) if European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive is brought into force, the Issuer will ensure that they maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to such Directive or any law implementing or complying with, or introduced to conform to, such Directive; and
- (c) if a Calculation Agent is specified in the Final Terms, the Issuer shall at all times maintain a Calculation Agent; and

- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system; and
- (e) the Issuer shall at all times, if practicable, maintain a Paying Agent in an EU member state (other than the United Kingdom),

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

## **16. Meetings of Noteholders; Modification, Waiver and Substitution**

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter relating to the Notes or the Noteholders, including the modification of any provision of these Conditions or the provisions of the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be converted by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes subject to the Trustee being indemnified and/or prefunded and/or secured to its satisfaction. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of the holders of at least 75 per cent., in principal amount of the Notes for the time being outstanding will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification and Waiver:* The Trustee may, without the consent of the Noteholders or Couponholders agree to any modification of these Conditions or the Trust Deed which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and any modification of these Conditions or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error or an error which, in the opinion of the Trustee, is proven.

In addition, the Trustee may, without the consent of the Noteholders or Couponholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed or determine that any Event of Default or Potential Event of Default shall not be treated as such if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

In addition, the parties to the Paying Agency Agreement may agree to modify any provision thereof, save the Trustee shall only agree without the consent of the Noteholders to such modification if, in the opinion of the Trustee, such modification is not materially prejudicial to the interests of the Noteholders.

Any such modification, authorisation or waiver shall be binding on the Noteholders and Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders and Couponholders as soon as practicable thereafter.

- (c) *Substitution*: The Trust Deed contains provisions under which a (i) Statutory Successor, (ii) a Subsidiary of the Issuer or (iii) a Subsidiary of a Statutory Successor may, without the consent of the Noteholders or Couponholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes *provided* that certain conditions specified in the Trust Deed are fulfilled.

Such conditions include (amongst other things):

- (i) in the case of the assumption by a Subsidiary of the Issuer or by a Subsidiary of a Statutory Successor that the Notes are guaranteed by the Issuer or by such Statutory Successor to the satisfaction of the Trustee; and
- (ii) that the Trustee is otherwise satisfied that interests of the Noteholders will not be materially prejudiced by such substitution.

## **17. Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so or to take any other action under or pursuant to the Trust Deed unless:

- (a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified and/or prefunded and/or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

## **18. Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

## **19. Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times) or, if such publication is not practicable, in a leading English language daily

newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together, where applicable, with the relative Note or Notes, with the Principal Paying Agent in accordance with its standard rules and procedures.

## **20. Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## **21. Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent., being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), and (c) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## **22. Re-denomination, Renominalisation and Reconditioning**

- (a) *Application:* This Condition 22 is applicable to the Notes only if it is specified in the Final Terms as being applicable.
- (b) *Notice of redenomination:* If the country of the Specified Currency becomes or announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders and Couponholders, on giving at least 30 days’ prior notice to the Noteholders and the Paying Agents and having notified the Trustee prior to the provisions of such notice, designate a date (the “**Redenomination**

**Date**”), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

- (c) *Redenomination*: Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:
- (i) the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Trustee that market practice in respect of the redenomination into euro 0,01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and Couponholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;
  - (ii) if Notes have been issued in definitive form:
    - (A) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the “**Euro Exchange Date**”) on which the Issuer gives notice (the “**Euro Exchange Notice**”) to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect thereof;
    - (B) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 22) shall remain in full force and effect; and
    - (C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Trustee may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and
  - (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a subdivision of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.
- (d) *Interest*: Following redenomination of the Notes pursuant to this Condition 22, where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes

presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.

- (e) *Interest Determination Date*: If the Floating Rate Note Provisions are specified in the Final Terms as being applicable and Screen Rate Determination is specified in the Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

### **23. Governing Law and Jurisdiction**

- (a) *Governing law*: The Notes and the Trust Deed and all matters, including non-contractual obligations, arising from or out of or connected with the Notes and the Trust Deed are governed by, and shall be construed in accordance with, English law.
- (b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising from or out of or connected with the Notes and the Trust Deed (including a dispute relating to the existence, validity or cancellation of the Notes or the Trust Deed or any non contractual obligation arising out of or in connection with the Notes or the Trust Deed) or the consequences of their nullity.
- (c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England*: Condition 23(b) (English courts) is for the benefit of the Trustee and the Noteholders only. As a result, nothing in this Condition 23 prevents the Trustee or any Noteholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction, To the extent allowed by law, the Trustee of Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Consent to enforcement etc.*: The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.
- (f) *Waiver of immunity*: To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms in respect of each Tranche of Notes completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.*

Final Terms dated [                    ]

### Transport for London

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the

**£5,000,000,000**

### Euro Medium Term Note Programme

### PART A – CONTRACTUAL TERMS

The Base Prospectus dated 23 August 2012 referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU **provided, however, that** all references in this document to the "**Prospectus Directive**" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and include any relevant implementing measure in the relevant Member State.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated 23 August 2012 [and the Supplementary Prospectus[es] dated [            ]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented], including documents incorporated by reference. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. However, a summary of the issue of the Notes is annexed to these Final Terms. The Base Prospectus [and the Supplementary Prospectus[es] [is][are] available for viewing on the website of the London Stock Exchange in accordance with Article 14 of the Prospectus Directive and [is][are] available for viewing at, and copies may be obtained from, the principal office of the Issuer at Windsor House, 42-50 Victoria Street, London SW1H 0TL and the specified offices of each of the Paying Agents.

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Conditions**”) set forth in, and extracted from, the [*Information Memorandum dated 25 November 2004/Base Prospectus dated 9 March 2006/Base Prospectus dated 11 August 2011*] and which are incorporated by reference in the Prospectus dated 23 August 2012 (the “**Prospectus**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus [and the Supplementary Prospectus(es) dated [ ]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, including the Conditions which are extracted from the [*Information Memorandum dated 25 November 2004/Base Prospectus dated 9 March 2006/Base Prospectus dated 11 August 2011*] and are incorporated by reference in the Prospectus and which are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [and the Supplementary Prospectus(es) dated [ ]]. However, a summary of the issue of the Notes is annexed to these Final Terms. The Prospectus [and the Supplementary Prospectus(es)] [is][are] available for viewing on the website of the London Stock Exchange and [is][are] available for viewing at, and copies may be obtained from, the principal office of the Issuer at Windsor House, 42-50 Victoria Street, London SW1H 0TL and the specified offices of each of the Paying Agents.]<sup>1</sup>

- |    |   |  |
|----|---|--|
| 1. | Issuer:                                       | Transport for London   |
| 2. | (i) Series Number:                            | [ ]  |
|    | (ii) Tranche Number:                          | [ ]  |
|    | (iii) Date on which the Notes become fungible | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [ <i>insert description of the Series</i> ] on [ <i>insert date</i> /the Issue Date/Exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below [which is expected to occur on or about [ <i>insert date</i> ]]].] |
| 3. | Specified Currency or Currencies:             | [ ]  |
| 4. | Aggregate Nominal Amount:                     |  |
|    | (i) Series:                                   | [ ]  |
|    | (ii) Tranche:                                 | [ ]  |
| 5. | Issue Price:                                  | [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ <i>insert date</i> ]]  |

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<sup>1</sup> Include this legend where the first Tranche of an issue which is being increased was issued under a base prospectus with an earlier date and the relevant terms and conditions from that base prospectus with an earlier date are incorporated by reference in this Base Prospectus.

6. (i) Specified Denominations: [ ]
- (ii) Calculation Amount: [ ]
7. (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: [ ]
9. Interest Basis: [[ ] per cent. Fixed Rate]
- [Specify particular reference rate] +/- [ ] per cent. Floating Rate]
- [Zero Coupon]
- [Other (specify)]
- (further particulars specified below)
10. Redemption/Repayment Basis: [Redemption at par]
- [Instalment]
11. Change of Interest or Redemption/Repayment Basis: [Applicable/Not Applicable]
12. Put/Call Options: [Investor Put pursuant to Condition 9(e)]
- [Issuer Call pursuant to Condition 9(c)]
- [(further particulars specified below)]
13. (i) Status of the Notes: Direct, general and unconditional obligations of the Issuer, charged indifferently on all revenues of the Issuer
- (ii) [Date [Board] approval for issuance of Notes obtained:] [ ]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] in each year
- (iii) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day

- Convention]
- (iv) Fixed Coupon Amount(s): [ ] per Calculation Amount
- (v) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
- (vi) Day Count Fraction: [30/360/Actual/Actual(ICMA/ISDA)/*specify other*]
15. Floating Rate Note Provisions [Applicable/Not Applicable].
- (i) Specified Period(s): [ ]
- (ii) Specified Interest Payment Dates: Not Applicable/[•], subject to adjustment in accordance with the Business Day Convention set out in (iv) below]
- (iii) First Interest Payment Date: [ ]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (v) Additional Business Centre(s): [Not Applicable/*give details*]
- (vi) Manner in which the Rate(s) of Interest and Interest Amount(s) is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Principal Paying Agent): [[*Name*] shall be the Calculation Agent]
- (viii) Screen Rate Determination:
- Reference Rate: [ ]
  - Interest Determination Date(s): [ ]
  - Relevant Screen Page: [ ]

- Relevant Time: [11.00 a.m. London time/specify other]
- Relevant Financial Centre: [London/other]
- (ix) ISDA Determination:
  - Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (x) Margin(s): [+/-][ ] per cent. per annum
- (xi) Minimum Rate of Interest: [ ] per cent. per annum
- (xii) Maximum Rate of Interest: [ ] per cent. per annum
- (xiii) Day Count Fraction: [ ]
- 16. Zero Coupon Note Provisions [Applicable/Not Applicable]
  - (i) [Amortisation/Accrual] Yield: [ ] per cent. per annum
  - (ii) Reference Price: [ ]
  - (iii) Any other formula/basis of determining amount payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

- 17. Issuer Call under Condition 9(c) [Issuer Call under Condition 9(c)  
Applicable/Issuer Call under Condition 9(c)  
Not Applicable]
  - (i) Optional Redemption Date(s) (Call): [ ]
  - (ii) Optional Redemption Amount (Call) of each Note: [[ ] per Calculation Amount]
  - (iii) Redemption Margin: [ ]
  - (iv) If repayable and redeemable in part:
    - (a) Minimum Redemption Amount: [ ] per Calculation Amount
    - (b) Maximum Redemption Amount: [ ] per Calculation Amount

- (v) Notice period (if other than as set out in the Conditions): [ ]
18. Investor Put under Condition 9(e) [Investor Put under Condition 9(e) Applicable/Investor Put under Condition 9(e) Not Applicable]
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount (Put) and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/Specify other/ see Appendix]
- (iii) Notice period (if other than as set out in the Conditions): [ ]
19. Early Redemption Amount(s):
- (i) Early Redemption Amount (Tax) Early Redemption Amount(s) per Calculation Amount of each Note payable on redemption for taxation: [Not Applicable/As set out in the Conditions]
- (ii) Early Termination Amount Early Redemption Amount(s) of each Note payable on an event of default and on a Put Event: [Not Applicable/As set out in the Conditions]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

20. Form of Notes: Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice.]
- [Permanent Global Note exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]
21. New Global Note: [Yes] [No]

22. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/*give details.*]
23. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No.] [As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]
24. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
25. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 22 (*Redenomination, Renominatisation and Reconventioning*)] [annexed to these Final Terms] apply]
26. Consolidation provisions: [Not Applicable/The provisions annexed to these Final Terms apply]

### **[THIRD PARTY INFORMATION**

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced inaccurate or misleading. ]

Signed on behalf of the Issuer:

By: .....

**Duly Authorised**

## PART B - OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) to list the Notes on [the Official List of the UK Listing Authority] with effect from [ ]/other (specify)] [Not Applicable]

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify regulated market] with effect from [ ].] [Not Applicable.]

(iii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings:

The Notes to be issued [have been/are expected to be rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]

[Standard & Poors Credit Market Services Europe Limited: [•]]

[Fitch Ratings Limited: [•]]

[Moody's Investors Service Limited: [•]]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save as described in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]

### 4. YIELD (Fixed Rate Notes Only)

Indication of yield: [ ]

The yield is calculated as [include details of method of calculation in summary form] at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

### 5. DISTRIBUTION

(i) U.S. Selling Restrictions: [TEFRA C/TEFRA D]

6. **OPERATIONAL INFORMATION**

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give *name(s) and number(s)*]
- (iv) Names and addresses of additional Paying Agent(s) (if any): [ ]

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

### **Clearing System Accountholders**

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to “**Noteholder**” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an “**Accountholder**”) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

### **Denominations**

So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes may be tradable only in the minimum authorised denomination of EUR100,000 and higher integral multiples of another smaller amount, notwithstanding that no Definitive Notes will be issued with a denomination above a specified level.

### **Exchange of Temporary Global Notes**

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Principal Paying Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

### **Exchange of Permanent Global Notes**

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), with an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

### **Conditions applicable to Global Notes**

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender (if applicable) of the Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that, in respect of a CGN, the same is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

*Payment Business Day:* In the case of a Global Note, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Exercise of put option; In order to exercise the option contained in Condition 9(e) (*Redemption at the option of Noteholders (Investor Put)*), or the option contained in Condition 9(f) (*Redemption on a Put Event*), an accountholder must, in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means), give notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised and at the same time present or procure the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly within the time limits set forth in the relevant Condition.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 9(c) (*Redemption at the option of the Issuer*) in relation to less than the aggregate principal amount of the Notes outstanding at such time, no drawing of Notes will be required

under Condition 9(d) (*Partial redemption*). In such event, the Notes to be redeemed will be selected in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

*Notices:* Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

*Redenomination:* If the Notes are redenominated pursuant to Condition 22 (*Redenomination, Renominalisation and Reconventioning*), then following redenomination:

- (a) if Definitive Notes are required to be issued, they shall be issued at the expense of the Issuer in the denominations of euro 100,000 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders; and
- (b) the amount of interest due in respect of Notes represented by a Permanent Global Note and/or a Temporary Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest euro 0.01,

*Meetings:* The holders of a Global Note shall, at any meeting of the Noteholders, be treated as having one vote in respect of each £1 in principal amount of the Notes represented by a Global Note.

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

## UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

### UK Withholding Tax on UK Source Interest

- (a) **Notes listed on a recognised stock exchange:** The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom Official List (within the meaning of Part 6 of the FSMA) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The London Stock Exchange is a recognised stock exchange, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom Official List and admitted to trading on the Regulated Market of that Exchange.

- (b) **All Notes:** In all cases falling outside the exemption described in (a) above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20%) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty or to any other exemption which may apply. However, this withholding will not apply if the relevant interest is paid on Notes with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

On 27 March 2012, HM Revenue and Customs published a Consultation Document on "Possible changes to income tax rules on interest" which includes proposals relating to the imposition of United Kingdom withholding tax. One potential change is that the withholding tax obligation in respect of UK interest payments be extended so that it may apply to interest on Notes issued for a term of less than one year. It is not possible to identify at this time to what extent, if at all, these proposals will be implemented.

### **Provision of Information**

Noteholders should note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. In certain circumstances, the information so obtained may be passed by HMRC to the tax authorities of certain other jurisdictions.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes which constitute "deeply discounted securities" for the purposes of section 430 of the Income Tax (Trading and Other Income) Act 2005 (although, in this regards, HMRC published guidance for the year 2012/2013 indicates that HMRC will not exercise its power to obtain information in relation to such payments in that year).

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Luxembourg and Austria may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

### **Other Rules Relating to United Kingdom Withholding Tax**

- (a) Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes will not generally be subject to any

United Kingdom withholding tax pursuant to the provisions mentioned in “*UK Withholding Tax on UK Source Interest*” above, but may be subject to reporting requirements as outlined in “*Provision of Information*” above.

- (b) Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.
- (c) Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
- (d) The references to “interest” above mean “interest” as understood in United Kingdom tax law. The statements in “United Kingdom Taxation”, “*UK Withholding Tax on UK Source Interest*” and “*Provision of Information*” above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.
- (e) The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Condition 16 of the Notes (*Meetings of Noteholders; Modification, Waiver and Substitution*) or otherwise and does not consider the tax consequences of any such substitution.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Barclays Bank PLC, BNP Paribas, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, Lloyds TSB Bank plc, Merrill Lynch International, Morgan Stanley & Co. International plc, RBC Europe Limited, The Royal Bank of Scotland plc and UBS Limited (the “**Dealers**”). The arrangements under which Notes may from time to time be agreed to be issued by the Issuer to, and subscribed by, Dealers are set out in the amended and restated dealer agreement dated on or around 23 August 2012 (as amended or supplemented from time to time, the “**Dealer Agreement**”) and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

Notes may be offered by the Issuer or the Dealers to any Investors, subject to the restrictions described below.

### **United States of America**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

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

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period (as defined in Regulation S) relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

## United Kingdom

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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 Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto 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 such Notes to the public in that Relevant Member State:

- (a) if the applicable Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that

Relevant Member State, provided that any such prospectus has subsequently been completed by the applicable Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or such Final Terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, 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 (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

## **Japan**

Each Dealer has understood that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948 as amended, the “**FIEA**”) and disclosure under the FIEA has not been and will not be made with respect to the Notes. Accordingly, each Dealer has represented, agreed and undertaken and each further Dealer appointed under the Programme will be required to represent, agree and undertake that it will not offer, sell, resell or otherwise transfer, any Notes nor any interest therein, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering, resale, or otherwise transferring, directly or indirectly, in Japan or to any Japanese Person, except under circumstances which will result in compliance with, the FIEA or all other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “**Japanese Person**” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## **General**

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or

the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this document.

## GENERAL INFORMATION

### Listing

The admission of the Programme to listing on the Official List of the FSA and to trading on the London Stock Exchange is expected to take effect on or around 28 August 2012. The price of the Notes on the price list of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche of Notes intended to be admitted to trading on the London Stock Exchange will be so admitted to trading upon submission to the London Stock Exchange of the Final Terms and any other information required by the London Stock Exchange, subject to the issue of the relevant Notes. Prior to admission to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.

However, Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the London Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as the Issuer and the relevant Dealer(s) may agree.

### Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

### Floating Rate Notes

Interest on Floating Rate Notes will accrue at a rate linked to either LIBOR, LIBID, LIMEAN or EURIBOR (each a "**FRN Reference Rate**"). The relevant FRN Reference Rate (including the relevant reference period and details of where it is published) that will apply to any particular Tranche of Notes issued under the Programme will be disclosed in the Final Terms.

### Litigation

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) against or affecting the Issuer, any of its subsidiaries or any of their respective assets or revenues, which during the 12 months prior to the date of this Base Prospectus may have or have had in the recent past significant effects on the financial position of the Issuer and its subsidiaries.

### Significant Change

Since 31 March 2012 there has been no significant change in the financial or trading position of the Issuer and its subsidiaries and, since such date, there has been no material adverse change in the financial position or prospects of the Issuer and its subsidiaries.

### Authorisations

The establishment of the Programme and issues thereafter have been authorised pursuant to resolutions passed by the Board of the Issuer on 27 October 2004, 8 February 2006, 25

October 2006 and 15 March 2012 and resolutions passed on 22 November 2004, 2 March 2006, 7 December 2006, 8 March 2007, 9 June 2010 and 27 July 2011 and 11 July 2012 by a committee of the Board which had been delegated powers by the Board. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

### **Auditors**

The financial statements of the Issuer have been audited for the financial years ended 31 March 2012 and 2011 by KPMG LLP of 8 Salisbury Square, London, EC4Y 8BB, independent auditor of the Issuer for that period, and unqualified opinions have been reported thereon.

### **Documents available for inspection**

For so long as the Programme remains in effect or any Notes shall be outstanding, copies of the following documents may be inspected during normal business hours at the specified office of the Principal Paying Agent (Citibank, N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the principal office of the Issuer (Windsor House, 42-50 Victoria Street, London, SW1H 0TL), namely:

- (a) the current Base Prospectus in relation to the Programme, together with any supplements;
- (b) the Paying Agency Agreement;
- (c) the Trust Deed (which contains the forms of Notes in global and definitive form);
- (d) the Dealer Agreement;
- (e) the most recent publicly available audited financial statements of the Issuer beginning with such financial statements for the years ended 31 March 2012 and 31 March 2011; and
- (f) any Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. (In the case of any Notes which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the Final Terms will only be available for inspection by the relevant Noteholders.)

### **Interests of Dealers**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities,

including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**APPENDIX A**

**REVISED FUNDING SETTLEMENT FROM THE SECRETARY OF STATE FOR  
TRANSPORT**

*Department for*  
**Transport**

Boris Johnson  
Mayor of London  
City Hall  
The Queen's Walk  
More London  
London  
SE1 2AA

Great Minster House  
76 Marsham Street  
London SW1P 4DR

Tel: 020 7944 XXXX  
Fax: 020 7944 XXXX  
E-Mail: XXXX

Web site: [www.dft.gov.uk](http://www.dft.gov.uk)

20 October 2010

Dear Boris,

### **Spending Review 2010: TfL funding agreement**

This letter sets out a funding agreement for Transport for London up to 2014/15 which reflects my current intentions.

We have a shared commitment to protecting the tube upgrades and Crossrail, recognising the importance of these projects to the London and national economy. SR10 is predicated on the assurances you have given about delivery of the tube upgrades, and in respect of the need for appropriate measures to meet state aid rules (detailed below).

### **Basis of funding agreement and reviews**

1. This funding agreement ("SR10") will replace the previous TfL settlement set out in Bronwyn Hill's letter of 4 October 2007 to Steve Allen ("CSR07") and for the avoidance of doubt, supersedes any other "outstanding" funding agreements reached. It sets out my present intentions in relation to the Department for Transport's funding of Transport for London up to 2014/15. It also sets out the basis on which this funding agreement has been drawn up, including the contributions needed from the Mayor to support his commitments to Crossrail. Except where otherwise expressly indicated, this letter sets out the totality of DfT grant and borrowing support for TfL. Although it is my firm intention as Secretary of State to provide the support detailed on the basis described, no commitment is given since I cannot fetter my ability, or that of a future Secretary of State, to set grant levels as I see fit in response to relevant considerations.

2. SR10 has been determined after consultation with you, as Mayor, and TfL officials, and takes into account, amongst other things, your existing and anticipated spending commitments and potential revenue during this period.

## **Context of SR10**

3. It is our shared intention that TfL will manage the financing of the activities across its estate within the levels of borrowing, the grant funding set out below and TfL's other sources of income, and having regard to the basis on which SR10 has been drawn up. These activities include:

- TfL's transport and corporate activities (including Ex-Metronet and Tube Lines);
- Pensions;
- TfL's activities in support of successful delivery of the London 2012 Olympic and Paralympic games;
- Its obligations toward third parties;
- PFIs;
- TfL's Crossrail contribution; and
- The funding of the Independent Investment Programme Advisory Group

## **Assurances in respect of TfL Investment Programme**

4. SR10 is drawn up in the context of current developments with respect to the delivery of the TfL investment programme, in particular the purchase of Tube Lines by TfL. For value for money reasons and with a view to ensuring State Aid rules are not breached in the absence of a continuing role for the PPP Arbiter, there needs to be an effective and independent ongoing scrutiny of expenditure on the LU infrastructure. Therefore, I welcome your commitment to extend the scope of the Independent Investment Programme Advisory Group (IIPAG)'s role to cover the work managed by Tube Lines and additionally publish benchmarking across the range of London Underground maintenance, renewal and upgrade programmes. I have agreed revised terms of reference for the IIPAG with you (Annex A), and will receive copies of the Group's reports. The IIPAG will work under a Direction from you as Mayor as we have agreed. I have attached at Annex E what I understand to be the terms of your proposed Mayoral Direction. I confirm that I agree with it. This said, we agree that if the European Commission does not consider the IIPAG model set out in Annex A provides sufficient independent scrutiny, or wishes to see other measures put in place, then appropriate measures will be taken to satisfy them.

5. SR10 is also drawn up in the expectation that TfL officials will develop proposals for the future arrangements for the delivery of the Tube Lines infrastructure works, as part of a wider review of the structure of TfL, with initial proposals by the end of the year. This will take account of the options considered by the Joint Steering Committee which considered future arrangements for delivery following the collapse of the Metronet companies

and will examine the scope for introducing an independent pricing role to assess the economic and efficient cost of planned tube upgrade work.

These proposals will be discussed at official level between my Department and TfL and will be subject to review by myself as Secretary of State.

## **Deliverables**

6. Subject to paragraph 9 below, you have confirmed that SR10 will allow you to deliver the schemes listed at Annex B to the milestones specified. This includes key elements of the LU infrastructure investment programme. We have agreed that the milestones and delivery dates listed reflect your current delivery programme.

## **Future reviews**

7. It is currently intended that a new funding agreement to succeed SR10 will be drawn up no later than 2014, for 2015/16 onwards. In addition, SR10 may itself be subject to review at any point prior to that time, for example in the context of a wider government Spending Review or other wider pressures on the Department's finances or those of the Government as a whole. As Secretary of State, I would also expect to review SR10 at any time before 2014/15, including in year, if, for example, there is significant deviation from the commitments referred to in paragraphs 4 to 6 above, or TfL do not meet their Base Funding Amount payments to the Crossrail project

8. In any future review, the Secretary of State will take all relevant circumstances into account including:

- a) Delivery of the reforms and schemes listed in paragraphs 4, 5 and 6 above and at Annex B;
- b) Adherence to the agreed borrowing limits listed below in this letter;
- c) The extent to which TfL has managed its estate as described in paragraph 3 above, including use TfL and the Mayor have made of their capacity to raise further income and reduce expenditure; and the extent to which any exceptional pressures on TfL's budget could have been or can be prevented or alleviated by them;
- d) DfT's public expenditure position and other pressures on the Department's budget; and
- e) Whether TfL have failed to meet any TfL Base Funding Amount payments to the Crossrail project.

9. I acknowledge that TfL will need to enter into commitments in relation to some of the projects at Annex B which extend beyond the current Spending Review period, and that the GLA and TfL will need to raise additional

borrowing beyond 2014/15 to meet your Crossrail funding commitments. The Government will take account of these commitments in considering levels of grant and borrowing support in the future.

## Settlement

### *GLA Transport Grant profile*

10. My firm intention is that subject to the above and to the yearly grant determination process, a GLA transport grant, comprising a General Grant and a Investment Grant supporting delivery of the schemes and milestones set out in Annex B (notably upgrade of the Tube), will be paid according to the profile set out in the table below. This includes an abatement in respect of the separate Metronet capital grant described at paragraph 12 below in 2014/15 only. The abatement is made in lieu of the interest that would otherwise have been payable by TfL on the amount of the Metronet capital grant, had TfL borrowed those amounts. The abatement has been calculated on the basis of a fixed interest rate of 4.05%. This was the PWLB rate for a 25-year maturity loan on the morning of 6 October 2010. An abatement will continue to apply after 2014/15 and will be taken into account in setting the baseline for future grant settlements.

<b>£m (cash)</b>	11/12	12/13	13/14	14/15
General	1,943	1,922	1,795	1,517
Abatement in respect of Metronet capital grant	-0	-0	-0	-41
Investment Grant	861	881	904	928
<b>GLA transport Grant</b>	<b>2,804</b>	<b>2,803</b>	<b>2,699</b>	<b>2,404</b>

### *Other grants*

11. In addition to the GLA Transport Grant profile, I currently intend to make the following funding available.

12. Capital grant will be provided under S31 of the Local Government Act 2003, to replace funding that would otherwise have been raised by the former Metronet companies through borrowing, on the following profile. The grant payable in years 2012/13 and 2013/14 will be abated in lieu of the interest that would otherwise have been payable by TfL on the amount of the Metronet capital grant, had TfL borrowed those amounts. The abatement has

been calculated on the basis of a fixed interest rate of 4.05%. This was the PWLB rate for a 25-year maturity loan on the morning of 6 October 2010.

<b>£m (cash)</b>	11/12	12/13	13/14	14/15
Metronet grant	424	369	216	0
Abatement	0	-17	-32	0
<b>Total Metronet grant</b>	<b>424</b>	<b>352</b>	<b>184</b>	<b>0</b>

14. Following TfL's request for a service decrement, the Department will make a grant of £24m available to TfL in 2012/13 to reflect the savings over 10 years associated with the Department withdrawing sponsorship of the South London Line / Victoria to Bellingham services from 2012. TfL will use this grant to fund the costs of the East London Line extension phase 2 from Surrey Quays to Clapham Junction via Peckham Rye. It is expected that this service will commence in 2012. TfL will be responsible for this service and all ongoing costs, including any further mitigation measures. Other conditions set out in the original proposal from the Secretary of State for Transport to the Mayor of London dated 5/12/2008, and the subsequent response from Ian Brown at TfL dated 12/1/2009, still apply.

15. Continued funding will be made available to support the ITSO on Prestige project to make TfL's Oyster estate interoperable with national smartcard specifications, in accordance with the ITSO on Prestige agreement dated 28 May 2009.

16. TfL has successfully bid for funding from the Department for the installation of electric vehicle recharging infrastructure under the first round of the Plugged-In Places programme. The level of any funding offered to TfL in 2011/12 and 2012/13 for the continuation of this programme will be determined as part of wider considerations relating to the second round of the programme, which will take place later this year.

17. Grant payments in respect of London Overground will continue to be made separately, and will be set in accordance with the agreed Grant Memorandum for the operation of the Silverlink Metro Network, as amended by the sub-agreement following the transfer of services on implementation of the new Southern franchise.

18. I recognise that bus services contracted by TfL are also currently eligible for Bus Service Operators Grant (BSOG) paid by the Department. I am currently reviewing the level of BSOG payment and would expect these changes to apply in London as in other parts of the country. I am also reviewing the arrangements for payment of BSOG and I will discuss any possible changes to the current arrangements with TfL before implementing them.

### *Borrowing limits*

19. TfL's borrowing is to be contained within the following profile, which includes £165m of borrowing cover which will be made available during the Spending Review period to fund the procurement of the Piccadilly Line fleet:

<b>£m (cash)</b>	11/12	12/13	13/14	14/15
<b>TfL Borrowing</b>	425	445	345	650

20. Guidance on interpretation of borrowing limits and PFI accounting treatment is set out at Annex C.

### *Crossrail*

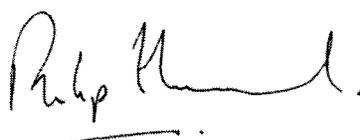
21. Separately, as Mayor you will be able to raise borrowing for Crossrail through the GLA, supported by a supplementary business rate, according to the following profile:

<b>£m (cash)</b>	11/12	12/13	13/14	14/15
<b>GLA Borrowing</b>	700	700	800	500

22. Alongside TfL's prudential borrowing for Crossrail (to be contained with the borrowing profile at paragraph 19) and the GLA debt underpinned by a supplementary business rate, the upper limit of the Department's yearly Crossrail grant contributions (the Department's Sponsor Contribution to Crossrail) will be as follows:

<b>£m (cash)</b>	11/12	12/13	13/14	14/15
<b>Crossrail Capital grant</b>	517	1205	1123	1082

23. The borrowing limits and DfT Crossrail grant line set out above are predicated on our agreements on the delivery, funding and governance of Crossrail, as set out in Annex D.



**PHILIP HAMMOND**

## **Annex A**

### **Terms of Reference for the Independent Investment Programme Advisory Group (IIPAG)**

#### **Purpose**

The IIPAG will provide independent assurance and expert advice to the Mayor of London concerning Transport for London's Investment Programme as published from time to time; including all maintenance, renewal, upgrades and major projects, but not operational issues or the activities of Crossrail Limited. The IIPAG will consider issues of economy, efficiency and value for money in preparing its advice.

The Secretary of State for Transport also wishes to be assured that the financial support provided to TfL delivers value for money to the taxpayer, and will be consulted in relation to the work of the Group and will receive copies of reports and other materials that are provided to the Mayor as set out in this Terms of Reference.

#### **Membership**

Six to eight Members

#### **Frequency of Meetings**

The Group shall meet at least twice a year. The Chair of the IIPAG will determine the frequency of any additional meetings should they be required for the group to function effectively.

Group members may be required to attend relevant meetings of the Finance and Policy Committee or TfL Board.

#### **Terms of Reference**

1. The Group will advise the Mayor, the Finance and Policy Committee and the TfL Board, sending reports also to the Secretary of State for Transport with regard to:
  - (a) the delivery of the TfL Investment Programme. This may include consideration of systemic or generic issues such as organisational capability and structure, and the efficiency, effectiveness and economy of delivery of the Investment Programme, including all maintenance, renewal, upgrades and major projects.
  - (b) the approval of projects by the TfL Board and/or Finance and Policy Committee, by overseeing the system of gateway reviews and ensuring they are undertaken thoroughly and efficiently, and (where necessary) recommending that further reports or reviews be commissioned;
  - (c) the adequacy of progress and delivery status of major projects between formal approval gates;
  - (d) other aspects of the Investment Programme it considers appropriate; and
  - (e) examination and commentary upon the draft Asset Management Plans relating to the infrastructure of London Underground.

The remit of the Group does not include operational issues or the activities of Crossrail Limited.

2. The Group will be responsible for the direction of a team undertaking benchmarking of the costs of maintenance and project delivery on the London Underground network, using data provided by London Underground and such other materials as the Group considers appropriate, including international benchmarking. The Group will broaden benchmarking to other areas of TfL undertaking delivery of the Investment Programme at an appropriate time.
3. The Group will assign members to review and report on specific high value and/or high risk projects or programme areas within the TfL Investment Programme.
4. Annually, the IIPAG will consult with TfL and the Secretary of State for Transport and propose a workplan for the year to the Mayor for his approval. The plan will cover both the Group's involvement in the review of specific projects and its activities to form a broader assessment of the delivery of the Investment Programme. The workplan will be kept under review by the Group, and changes will be proposed to the Finance and Policy Committee as required. Significant changes will be agreed with the Mayor, having consulted with the Secretary of State, prior to implementation.
5. The Group may, to support its work, provide advice in relation to the selection of appropriate engineering and project management consultancies in accordance with TfL's policies and procedures on procurement and conflicts of interest as they may vary from time to time.
6. Annually, the Group will review the level of resource required to undertake the activities set out in the terms of reference and will recommend a budget to the Finance and Policy Committee for consideration, prior to a budget being submitted by TfL to the Mayor for his approval.
7. The Group will publish an annual report on TfL's delivery of its Investment Programme from its work during the year, drawing out any common themes, systemic issues and lessons learnt. The Group may also publish additional reports throughout the year as it sees fit, after consulting the Mayor and subject to appropriate obligations relating to confidentiality and conflicts of interest.
8. The Group will notify the Mayor and TfL Board of any issues of significant concern in relation to the value for money or delivery of the Investment Programme. Any notification of such issues shall be passed to the Secretary of State for Transport together, where so requested by the Secretary of State and subject to appropriate confidentiality obligations, with such other reports and related data which the Group may produce for the Mayor or the TfL Board and its committees. The Secretary of State shall pass such material to the European Commission as necessary.

## Annex B

### COMMITTED SCHEMES AND MILESTONES

#### Milestones due to be reached during Spending Review Period:

Delivery Date	Description of Project and Milestone / Key Deliverables
2011	New Sub-Surface Lines signalling contract signed
2011	Jubilee Line Upgrade complete, delivering 33% increase in capacity
2011	Improved ticket machines (including Oyster vending) introduced at all LU stations
2012	Introduction of contactless bank card technology for fare payment across all modes
2013	Roll out of new air conditioned trains on Metropolitan Line complete
2013	21% capacity increase realised on Victoria Line as full fleet of new trains run entirely on new signalling.
2013	Tunnelling works begin at Bond St (congestion relief / Crossrail interchange)
2014	Life extension work to Piccadilly Line signalling complete
2014	A new ticket hall and gateline to serve Paddington Station (Hammersmith & City line), and a new station entrance to serve the Paddington Basin area, with step-free access and a significant increase in passenger circulation space throughout.
2014 <sup>1</sup>	Northern Line Upgrade complete, delivering 20% increase in capacity
2014	New entrance to Waterloo and City Line platforms opens at Bank (subject to agreement with Legal & General)
2014	Roll out of new air conditioned trains on Circle, Hammersmith & City Lines complete
2015	Investment in existing signalling, trains, safety critical station equipment and civil assets (eg bridges, tunnels, embankments) resulting in 18% improvement in the reliability of passenger journeys compared with 2010 (as measured by network-wide Lost Customer Hours per passenger journey)
2015	Delivery of prototype for a low energy, higher capacity train for Piccadilly and Bakerloo Lines;
2015	SCOOT (an automated intelligent traffic control system) rolled out across a further 1000 sites across London, resulting in 50% of London's traffic signals being controlled by this technology

<sup>1</sup> Forecast. Programme under review in September 2010 following TfL acquisition of Tube Lines, including examining opportunities to bring forward further capacity through additional rolling stock.

**Milestones due to be reached after Spending Review Period:**

<b>Delivery Date</b>	<b>Description of Project and Milestone / Key Deliverables</b>
2016	Roll out of new air conditioned trains on District Line complete
2016	Victoria Station Upgrade – Northern ticket hall complete
2016	Tottenham Court Road (congestion relief / Crossrail interchange); new passenger facilities open
2017	Bond St (congestion relief / Crossrail interchange) complete
2018	25% of track on Bakerloo, Central, Victoria and Sub Surface Lines replaced
2018	Full signalling upgrade across the Sub-Surface network complete
2018	Sub-Surface Lines power works complete; Sub-Surface Line Upgrade Complete delivering 33% capacity increase
2018	Victoria Station Upgrade – full scheme complete
2021	Works to relieve station congestion on Northern Line at Bank complete

## **Annex C**

### **Guidance on interpretation of borrowing limits and PFI accounting treatment**

The borrowing limits set out above relate to net additions to borrowing, or other on-balance sheet liabilities, across the TfL Group. Within these overall limits, TfL should manage its liabilities as it sees fit; this may include swapping finance leases (as measured for National Accounts purposes) with borrowing undertaken at the TfL level, subject to there being no overall increase in liabilities across the TfL Group.

Following the adoption of IFRS from 2009/10, the Treasury has prepared guidance for central Government Departments regarding the budgetary treatment of PFIs. In determining whether PFI transactions undertaken by TfL or its subsidiaries score within the borrowing limits, TfL should take account of the impact of those transactions on the National Accounts rather than the accounting treatment under IFRS. To determine whether a particular transaction should be treated as on or off balance-sheet for National Accounts purposes, TfL should follow the guidance on the Treasury website: "Technical Guidance on the Application of the Standards used in the production of the National Accounts to PFI and Similar Transactions - 2 September 2009". TfL should consult with the Department if there is any uncertainty over the interpretation of this guidance.

Any increase in TfL's balance sheet liabilities caused by a reclassification of PFI transactions signed before 31 March 2009 as a result of the move to IFRS will not be required to be absorbed within TfL's borrowing limits. Contracts signed before 1 April 2009 will continue to be treated as they were under UK GAAP for budgeting purposes. The Department is aware that other changes to the treatment of leases under IFRS are under consideration. No decisions have yet been taken on how such changes, if they were to come about, would affect budgets and borrowing limits in the public sector.

## Annex D

### **Agreement regarding the delivery, funding and governance of Crossrail**

The borrowing limits and DfT capital contribution to the Crossrail scheme as set out in paragraphs 21 - 23 of the covering letter to this annex are predicated on an agreement between the Secretary of State and the Mayor that:

1. The revised schedule of works proposed by Crossrail Limited ('CRL') for the Central Section lengthens the delivery date with services expected to open from 2018.
2. Limited revisions will be made to the Crossrail Project Delivery Agreement and Sponsors Agreement as required under the agreed funding arrangements underpinning the changes in paragraph 1 above. We expect these will include changes to commercially sensitive issues such as the Intervention Point values and the Sponsor Committed Funding. In addition, Sponsors will make targeted changes to incentivisation and governance arrangements, as well as Sponsor Review Points, with the shared aim that delivery of the Central Section and On Network Works is on time and on budget.
3. In order to meet the balance of the agreed total contribution from TfL to the project, including any contingency amounts should these be needed (with any necessary adjustments to profiles as agreed between officials), the Mayor of London will continue to support the scheme with funds from sources including:
  - GLA prudential borrowing and the Business Rate Supplement direct contribution, as set out in the January prospectus;
  - S106 Developer Contributions, as set out in the amendments to the London Plan and Supplementary Planning Guidance
  - The Community Infrastructure Levy;
  - Sales of surplus Crossrail land and overstation developments; and
  - TfL prudential borrowing, and other TfL sources.
4. TfL will also continue to take all reasonable steps to achieve efficiencies from the interface between Crossrail and London Underground.

Further detail underpinning the principles outlined above, as well as related funding profiles and the terms of the settlement in relation to other commercially confidential matters, will be outlined by my officials.

## Annex E

### Intended text of Mayoral Direction

#### Background

A. In June 2010 Transport for London acquired Tube Lines Ltd, bringing the PPP company under TfL control. This followed the 2008 transfer of the assets of Metronet BCV Ltd and Metronet SSL Ltd to two wholly owned subsidiaries of TfL (the so-called TfL Nominees), following Metronet's collapse. Since then, the parties to the PPP contracts have agreed that Schedule 1.9 of those contracts shall cease to have effect and, accordingly, no further references for direction shall be made to the PPP Arbiter, thereby removing his powers to, *inter alia*, collect and analyse benchmarking data relating both to the TfL Nominees and Tube Lines Ltd.

B. It is nonetheless important to ensure that there continues to be independent scrutiny of the delivery by the TfL Nominees and Tube Lines Ltd of the maintenance, upgrade and renewal works on the London Underground network, to provide assurance that the works are delivered economically and efficiently, and to ensure funding to TLL and TfL nominees does not infringe state aid rules.

C. The Secretary of State for Transport also wishes to ensure that the financial support provided to Transport for London by Government delivers value for money for the taxpayer.

D. I have therefore agreed with the Secretary of State for Transport that a Group of independent experts should provide such independent advice and scrutiny in accordance with the Direction below.

*In accordance with his powers under section 155 of the Greater London Authority Act 1999, the Mayor hereby directs Transport for London as set out in this Direction.*

1. Transport for London shall operate and provide all necessary support to an independent group to support the management, governance and assurance of Transport for London's investment programme, such group to be known as the Independent Investment Programme Advisory Group and to carry out the functions specified in this Direction in accordance with its terms and the terms of reference referred to in paragraph [8].

2. The function of the Independent Investment Programme Advisory Group shall be to provide independent advice and assurance to the Mayor of London concerning Transport for London's Investment Programme as published from time to time, including on the efficiency, effectiveness and economy of delivery of the Investment Programme, including all maintenance, renewal, upgrades and major projects; such assurance and any evidence supporting it shall also be made available to the Board of Transport for London.

3. The Independent Investment Programme Advisory Group shall comprise independent expert advisers selected from a shortlist agreed between the Mayor of London and the Secretary of State for Transport, taking into account the need for expertise in relevant specialist fields including, without limitation, rail signalling and costs benchmarking. Transport for London shall undertake an open recruitment process as often as may be necessary in order to identify candidates for the shortlist agreed between the Mayor of London and the Secretary of State for Transport. Appointments to the Group, including the selection of a chairman and the termination of such appointments, will be made by the Mayor of London.

4. It shall be for the Independent Investment Programme Advisory Group to develop and consult with Transport for London and the Secretary of State for Transport on an annual programme of work, prior to its submission to the Mayor for his approval. Significant amendments to the work programme will also be subject to consultation with Transport for London and the Secretary of State for Transport prior to seeking the Mayor's approval.

5. Transport for London shall prepare each year a budget for approval by the Mayor so as to ensure that the Group has adequate resources and appropriate support to enable it to carry out effectively its role as described in this Mayoral Direction.

6 The activities of the Independent Investment Programme Advisory Group shall be:

6.1 continuation of the activities which to date have been undertaken by Transport for London's "Investment Programme Advisory Group".

6.2 oversight of the "gateway" reviews undertaken of Transport for London's projects including consideration of the system of gateway reviews and ensuring they are undertaken thoroughly and efficiently, and (where necessary) recommending that further reports or reviews be commissioned.

6.3 oversight of projects at any stage considered by the Independent Investment Programme Advisory Group to be appropriate including oversight of the adequacy of progress and delivery status of major projects between formal approval gates.

6.4 oversight of Transport for London's Investment Programme including consideration of management and organisational capability and the efficiency, effectiveness and economy of delivery of the Investment Programme, including maintenance, renewal, upgrades and major projects.

6.5 benchmarking of the costs of maintenance and project delivery on the London Underground network, using data provided by London Underground and such other materials as the Group considers appropriate, including international benchmarking

6.6 to notify the Mayor, and TfL Board of any issues of significant concern in relation to the value for money or delivery of the Investment Programme.

6.7 to support its work, provide advice in relation to the selection of appropriate engineering and project management consultancies in accordance with Transport for London's policies and procedures on procurement as they may vary from time to time.

6.8 examination and commentary upon draft Asset Management Plans relating to the infrastructure of London Underground.

6.9 to publish annually a report to the Board of Transport for London on the overall delivery of the Transport for London Investment Programme. The Group may also publish additional reports throughout the year as it sees fit, after consulting the Mayor and subject to appropriate obligations relating to confidentiality and conflicts of interest.

7. For the avoidance of doubt, the Independent Investment Programme Advisory Group's role shall not extend to any operational matters.

8. The terms of reference for the Independent Investment Programme Advisory Group shall be approved by the Mayor of London and the Secretary of State for Transport.

9. Transport for London will engage people with relevant skills and experience to form a professional benchmarking unit whose work will support and be reported directly to the Independent Investment Programme Advisory Group.

10. Transport for London shall, in taking decisions on the procurement, funding and delivery of the TfL Investment Programme, including through London Underground Ltd and the ex-PPP subsidiaries, take into account the outcome of the IIPAG's benchmarking of costs and other findings.

11. Transport for London and its subsidiaries (with the exception of Crossrail Ltd) shall co-operate fully with and make available to the Independent Investment Programme Advisory Group, subject to confidentiality obligations and requirements and appropriate arrangements as to conflicts of interest, all information that is requested by the Group that is relevant to the activities of the Independent Investment Programme Advisory Group including without limitation draft Asset Management Plans relating to the infrastructure of London Underground.

12. Any notification of issues of significant concern raised by the Group in accordance with paragraph 6.6 shall be passed to the Secretary of State for Transport together, where so requested by the Secretary of State and subject to appropriate confidentiality obligations, with such other reports and related data which the Group may produce for the Mayor or the TfL Board and its committees. The Secretary of State shall pass such material to the European Commission as necessary.

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