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COMPANIES FORM No. 395

Particulars of a mortgage or charge

395

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Please complete legibly, preferably in black type, or bold block lettering

Pursuant to section 395 of the Companies Act 1985

To the Registrar of Companies

For official use

Company number 1777777

Name of company

* insert full name of company

* BRITISH AIRWAYS PLC ("BA")

Date of creation of the charge

25 MAY 1999

Description of the instrument (if any) creating or evidencing the charge (note 2)

Master Novation Agreement dated 25 May 1999 made between BA (1), the Syndicate A Banks specified in schedule 1 thereto (the "Syndicate A Banks") (2), the Syndicate B Banks specified in schedule 1 thereto (the "Syndicate B Banks") (3) the Underwriters specified in schedule 1 thereto (the "Underwriters") (4), the Guarantors specified in schedule 1 thereto (the "Guarantors") (5), Barclays Bank PLC (the "Syndicate A Security Trustee") (6), National Westminster Bank PLC (the "Syndicate A Agent" and "Paying Agent") (7), The Boeing Company ("Boeing") (8), Rolls-Royce plc ("Rolls-Royce") (9), Citibank N.A. (the "Syndicate B Agent") (10), Midland Bank PLC (the "Guarantors Security Trustee") (11), Baborr Leasing Limited ("Baborr") (12), Sapphire Aircraft Leasing and Trading Limited ("Sapphire") (13), Bankers Trust Company, London Branch (the "Substitute Party") (14) and Bankers Trust Holdings (U.K.) (the "Purchaser") (15) (the "Master Novation Agreement").

Definitions

The following definitions shall apply throughout this form:

"Aircraft" means four Boeing 747-436 aircraft msn 23911, 24048, 24049 and 24050;

"Alternative Funding Letter" means the letter agreement between BA and Sapphire dated 21 July 1989 relating to alternative funding elections under paragraph 14 of schedule 5 of the

Presentor's name address and reference (if any):

Norton Rose
Kempson House
Camomile Street
London EC3A 7AN

AWJB\Z958045\SSA7473.395

Time critical reference

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Mortgage Section

Post room

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COMPANIES HOUSE 14/06/99

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Description of the instrument (if any) creating or evidencing the charge (note 2)

Leases;

"Assignments of Insurances" means the Assignments of Insurances numbers 7473, 7474, 7475 and 7476 between BA and Sapphire dated 5 September 1989, 28 February 1990, 27 February 1990 and 28 March 1990 respectively;

"BA Deeds of Covenant and Indemnity" means the BA Deeds of Covenant and Indemnity numbers 7473, 7474, 7475 and 7476 between the Underwriters, the Syndicate A Banks, the Syndicate A Agent, the Syndicate A Security Trustee and BA dated 21 July 1989;

"BA First Security Assignments" means the BA First Security Assignments numbers 7473, 7474, 7475 and 7476 between BA, the Syndicate A Agent, the Paying Agent, the Syndicate A Security Trustee, Boeing and Sapphire dated 21 July 1989;

"BA Second Security Assignments" means the BA Second Security Assignments numbers 7473, 7474, 7475 and 7476 between BA, the Paying Agent and Sapphire dated 21 July 1989;

"BA Security Assignments" means the BA First Security Assignments, the BA Second Security Assignments and the BA Third Security Assignments;

"BA Third Security Assignments" means the BA Third Security Assignments numbers 7473, 7474, 7475 and 7476 between BA, the Syndicate A Agent, the Paying Agent, the Syndicate A Security Trustee, Boeing and Sapphire dated 21 July 1989;

"BAC 1-11s Letter" means the letter agreement between Ruby and BA relating to the treatment of BAC-11 leases;

"Banks" means the Syndicate A Agent, the Paying Agent, the Syndicate A Security Trustee, the Underwriters and the Syndicate A Banks;

"BFE Agreements" means the BFE Agreements numbers 7473, 7474, 7475 and 7476 between BA and Sapphire dated 5 September 1989, 28 February 1990, 27 February 1990 and 28 March 1990 respectively;

"Boeing Novation Agreements" means the Boeing Novation Agreements numbers 7473, 7474, 7475 and 7476 dated 21 July 1989 between Boeing, BA and Sapphire;

"Consent Agreement" means the consent agreement dated 21 May 1998 and made between BA (1), the Syndicate A Banks (2), the Syndicate B Banks (3), the Guarantors (4), the Syndicate A Security Trustee (5), the Agent and the Paying Agent (6), the Underwiters (7), Boeing (8), the Syndicate B Agent (10), the Guarantors Security (11), Baborr (12), Sapphire (13), the Substitute Party (14) and the Purchaser;

"Continuing Parties" means the Syndicate A Agent and Paying Agent, the Syndicate A Banks, the Syndicate A Security Trustee, the Syndicate B Banks, the Syndicate B Agent, the Underwriters, Boeing, the Guarantors Security Trustee, BA, Rolls-Royce and Sapphire;

"Deeds of Priorities" means the Deeds of Priorities relating to BA Security Assignments numbers 7473, 7474, 7475 and 7476 between BA, the Agent, the Paying Agent, the Syndicate A Security Trustee and Sapphire dated 21 July 1989;

"Effective Time" means the time specified in the Effective Time Notice;

"Effective Time Notice" means a notice in the form set out in Schedule 3 of the Master

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Description of the instrument (if any) creating or evidencing the charge (note 2)

Novation Agreement;

"Insurance Letter" means the letter from BA to Sapphire dated 21 July 1989 relating to insurances, as amended by the Consent Agreement;

"Leases" means the Aircraft Lease Agreements numbers 7473, 7474, 7475 and 7476 between Sapphire and BA dated 21 July 1989;

"Loan and Guarantee Agreements" means the Loan and Guarantee Agreements numbers 7473, 7474, 7475 and 7476 between Sapphire, the Underwriters, the Syndicate A Banks, the Syndicate A Security Trustee and the Agent and Paying Agent dated 21 July 1989;

"Novated Agreements" means the Supplemental Agreements, the Utilisation Agreements, the Boeing Novation Agreements, the BFE Agreements, the Leases, the Loan and Guarantee Agreements, the BA First Security Assignments, the BA Second Security Assignments, the BA Third Security Assignments, the Deeds of Priorities, the Assignments of Insurances, the Recourse Assurance Letter, the BAC 1-11's Letter, the Insurance Letter and the Alternative Funding Letter;

"Other Agreements" means the BA Deeds of Covenant and Indemnity, the Opal Support Agreements, the Standby Loan Agreements and the Opal Mortgages;

"Owner's First Mortgages" means the Owner's First Mortgages numbers 7473, 7474, 7475 and 7476 between Sapphire and the Syndicate A Agent and Paying Agent dated 5 September 1989, 28 February 1990, 27 February 1990 and 28 March 1990 respectively;

"Owner's Security Assignments" means the Owner's Security Assignments numbers 7473, 7474, 7475 and 7476 between Sapphire, the Syndicate A Agent, the Paying Agent, the Syndicate A Security Trustee and Boeing dated 21 July 1989;

"Recourse Assurance Letter" means the letter from National Westminster Bank PLC to Sapphire dated 21 July 1989 confirming that Sapphire has recourse to BA in certain circumstances;

"Supplemental Agreement" means the Third Supplemental and Further Supplemental Agreement between BA, the Underwriters, the Syndicate A Banks, International Westminster Bank PLC, the Syndicate A Agent, the Paying Agent, the Syndicate B Banks, the Syndicate B Agent, the Guarantors Security Trustee, Sapphire, Baborr, Rolls-Royce and Boeingl dated 21 July 1989;

"Utilisation Agreements" means the utilisation agreements numbers 7473, 7474, 7475 and 7476 made between the Underwriters, the Syndicate A Banks, the Syndicate A Agent, the Paying Agent, the Syndicate B Banks, the Syndicate B Agent, the Guarantors Security Trustee, Sapphire, Baborr, Rolls-Royce and Boeing each dated 21 July 1989.

Amount secured by the mortgage or charge

The Master Novation Agreement novates and amends certain documents including the BA Second Security Assignment No. 7473 dated 21 July 1989 and made between BA, the Paying Agent and Sapphire (the "Existing Charge Document").

The amount secured by the Existing Charge Document is as set out in the Form 395 relating to the existing Charge Document which was registered at the Registrar of Companies on 8 August

Amount secured by the mortgage or charge

1989.

Paragraph 4.1 of Schedule 3 to the Consent Agreement and paragraph 4 of Schedule 2 of the Master Novation Agreement has amended the BA Deeds of Covenant and Indemnity by the insertion of a new clause 2.03 which provides that if as a result of the transactions contemplated by the Consent Agreement or the Master Novation Agreement (including without limitation the substitution of the Substitute Party for Sapphire as Owner):

(a) any variation occurs (or does not occur) in respect of the calculation of Rental (as defined in Schedule 5 to the Lease) or Stipulated Loss Value payable under the Lease or any other amounts payable under the Lease, including without limitation under paragraph 15 of the Financial Schedule of the Lease, with the result that the amounts expressed to be due and payable by BA under the Lease on any date fall short of the amounts expressed to be due and payable by the Borrower under the Loan and Guarantee Agreement on such date (disregarding clause 19 of the Loan and Guarantee Agreement); or

(b) any of the obligations expressed to have been assumed by the Borrower under the Loan and Guarantee Agreement (as amended by the Consent Agreement and the Master Novation Agreement) prove not to be valid and binding obligations of the Borrower with the result that a shortfall arises in relation to amounts that would have been payable to the Banks had such obligations been valid and binding,

then BA shall pay to the Paying Agent for the account of the Syndicate A Banks on demand an amount equal to the amount certified by the Syndicate A Agent in such demand to be equal to such shortfall.

The novation of the Existing Charge Document is effected by clause 4.1 of the Master Novation Agreement which provides that as of and with effect from the Effective Time:

(a) Sapphire's Rights and Liabilities under the Novated Agreements shall be novated to the Substitute Party;

(b) Sapphire shall cease to be a party to the Novated Agreements and the Substitute Party shall become a party to them in place of Sapphire;

(c) the Substitute Party undertakes with the Continuing Parties (as defined below) to accept, observe, perform and discharge all Liabilities of Sapphire or expressed to have been assumed by the Substitute Party howsoever arising under the Novated Agreements in substitution for Sapphire whether arising at, before or after the Effective Time, as if the Substitute Party had at all times been a party to the Novated Agreements;

(d) the Continuing Parties agree to the substitution of the Substitute Party in place of Sapphire and that the Substitute Party may exercise and enjoy all the Rights of Sapphire arising under the Novated Agreements in substitution for Sapphire and Sapphire acknowledges that it shall no longer be entitled to exercise or enjoy such Rights; and

(e) the Continuing Parties release and discharge Sapphire from all claims and demands, and from each of its Liabilities, howsoever arising under the Novated Agreements to the extent assumed by the Substitute Party pursuant to the Master Novation Agreement and accept the Liabilities to each of them of the Substitute Party in place of Sapphire.

In clause 4.1 of the Master Novation Agreement, "Liabilities" includes all obligations and liabilities (expressed or implied) present and future, actual and contingent, crystallised and

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Amount secured by the mortgage or charge

uncertain and, without limitation, obligations to pay or repay principal, interest, deferred interest, costs, fees and expenses, to perform or comply with any covenant or undertaking, to make correctly any representation or warranty or to advance any money or provide any facility, "Rights" includes all rights, title, interest, benefits and powers, proprietary and contractual and including without limitation the right to received payment or repayment of monies and payment of interest and the right to enforce any Liabilities and the plural includes the singular and vice versa.

The amendments to the Existing Charge Document are effected by clause 5.2 of the Master Novation Agreement which provides that as of and with effect from the Effective Time, each reference in the Novated Agreements and the documents referred to in clause 2.1(b) and (c) of the Master Novation Agreement:

(a) to a particular document shall be construed as a reference to such document as novated and/or amended pursuant to the Master Novation Agreement;

(b) to the Owner's Security Assignments shall be construed as a reference to the documents referred to in clause 2.1(b) of the Master Novation Agreement;

(c) to the Owner's First Mortgages shall be construed as a reference to the documents referred to in clause 2.1(c) of the Master Novation Agreement;

(d) to "Sapphire Aircraft Leasing and Trading Limited" or "the Borrower" or "the Owner" shall be construed as a reference to the Substitute Party;

(e) to the sale of the Aircraft shall not include any sale pursuant to the Business Reorganisation Agreement; and

(f) save as amended and novated by the Master Novation Agreement the provisions of any Novated Agreement continue in full force and effect (so that all references to Sapphire by whatever name called shall, as appropriate, be references to the Substitute Party) and the Master Novation Agreement and such documents shall be read and construed as one instrument.

Names and addresses of the mortgagees or persons entitled to the charge

Barclays Bank PLC, 54 Lombard Street, London, EC3P 3AH

Short particulars of all the property mortgaged or charged

Short particulars of the property mortgaged or charged by the Existing Charge Document were set out in the Form 395 in relation to the Existing Charge Document which was registered at the Registrar of Companies on 8 August 1989.

The Existing Charge Document is amended by clause 5.2 of the Master Novation Agreement which provides that as of and with effect from the Effective Time, each reference in the Existing Charge Document:

(a) to a particular document shall be construed as a reference to such document as novated

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Short particulars of all the property mortgaged or charged

and/or amended pursuant to the Master Novation Agreement; and

(b) to "Sapphire Aircraft Leasing and Trading Limited" or "the Borrower" or "the Owner" shall be construed as a reference to the Substitute Party and its successors in title.

Particulars as to commission allowance or discount (note 3)

NIL

Signed Norton Rose **Date** 14 June 1999

On behalf of **mortgagee/chargee**

Notes

1 The original instrument (if any) creating or evidencing the charge, together with these prescribed particulars correctly completed must be delivered to the Registrar of Companies within 21 days after the date of creation of the charge (section 395). If the property is situated and the charge was created outside the United Kingdom delivery to the Registrar must be effected within 21 days after the date on which the instrument could in due course of post, and if dispatched with due diligence, have been received in the United Kingdom (section 398). A copy of the instrument creating the charge will be accepted where the property charged is situated and the charge was created outside the United Kingdom (section 398) and in such cases the copy must be verified to be a correct copy either by the company or by the person who has delivered or sent the copy to the Registrar. The verification must be signed by or on behalf of the person giving the verification and where this is given by a body corporate it must be signed by an officer of that body. A verified copy will also be accepted where section 398(4) applies (property situate in Scotland or Northern Ireland) and Form No. 398 is submitted.

2 A description of the instrument, eg "Trust Deed", "Debenture", "Mortgage" or "Legal charge", etc, as the case may be, should be given.

3 In this section there should be inserted the amount or rate per cent. of the commission, allowance or discount (if any) paid or made either directly or indirectly by the company to any person in consideration of his;

(a) subscribing or agreeing to subscribe, whether absolutely or conditionally, or

(b) procuring or agreeing to procure subscriptions, whether absolute or conditional,

for any of the debentures included in this return. The rate of interest payable under the terms of the debentures should not be entered.

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CERTIFICATE OF THE REGISTRATION OF A MORTGAGE OR CHARGE

Pursuant to section 401(2) of the Companies Act 1985

COMPANY No. 01777777

THE REGISTRAR OF COMPANIES FOR ENGLAND AND WALES HEREBY CERTIFIES THAT A MASTER NOVATION AGREEMENT DATED THE 25th MAY 1999 AND CREATED BY BRITISH AIRWAYS PLC FOR SECURING NOVATING AND AMENDING CERTAIN DOCUMENTS INCLUDING THE BA SECOND SECURITY AGREEMENT NO.7473 DATED 21 JULY 1989 (THE "EXISTING CHARGE DOCUMENT") AND THE AMOUNT SECURED AS DEFINED ON THE FORM 395 RELATING TO THE EXISTING CHARGE DOCUMENT DATED 8 AUGUST 1989 WAS REGISTERED PURSUANT TO CHAPTER 1 PART XII OF THE COMPANIES ACT 1985 ON THE 14th JUNE 1999.

GIVEN AT COMPANIES HOUSE, CARDIFF THE 17th JUNE 1999.

REGISTRAR OF COMPANIES FOR ENGLAND AND WALES

THE OFFICIAL SEAL OF THE REGISTRAR OF COMPANIES

LC Pam

COMPANIES HOUSE

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