

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT (REGULATION S))) LOCATED OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S.

IMPORTANT: You must read the following before continuing. The following applies to the Base Prospectus following this page whether received by email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Base Prospectus. In reading, accessing or making any other use of the Base Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Base Prospectus, including any modifications to them from time to time each time you receive any information from the Issuer, the Guarantors, the Arranger or the Dealers, (each as defined in the Base Prospectus) as a result of such access.

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

THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT.

Confirmation of your representation: In order to be eligible to view the attached Base Prospectus or make an investment decision with respect to the securities that may be offered, prospective investors must be non-U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) located outside the United States. This Base Prospectus is being sent to you at your request, and by accessing this Base Prospectus you shall be deemed to have represented to the Issuer, the Guarantors, the Arranger and the Dealers that (1) (a) you are not a U.S. Person and (b) you will purchase any securities that may be offered in an offshore transaction (within the meaning of Regulation S) and the electronic mail address that you gave us and to which this email has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia and (2) you consent to delivery of such Base Prospectus by electronic transmission. You are reminded that this Base Prospectus has been delivered to you on the basis that you are a person into whose possession this Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Base Prospectus to any other person. The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

This Base Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom; or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") and (iii) to high net worth entities and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in (i), (ii) and (iii) above together being referred to as "relevant persons"). This Base Prospectus is only available to and is only directed at relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The attached Base Prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantors, the Arranger or the Dealers nor any person who controls them nor any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version.

The distribution of the Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus comes are required by the Issuer, the Guarantors, the Arranger and the Dealers, to inform themselves about, and to observe, any such restrictions.

BASE PROSPECTUS



BABCOCK INTERNATIONAL GROUP PLC

(incorporated as a public limited company in England and Wales)

Guaranteed by certain other companies in the Babcock Group

£1,800,000,000

Euro Medium Term Note Programme

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "FCA"), 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 ("**Notes**") issued 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 for such Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**"). The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments.

The Issuer has been assigned a rating of BBB by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). S&P is established in the European Economic Area ("**EEA**") and registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**"). Tranches of Notes to be issued under the Programme will be rated or unrated. Each of Fitch Ratings Ltd ("**Fitch**") and Moody's Investors Service Ltd ("**Moody's**") may in the future rate Notes issued under the Programme. Each of Fitch and Moody's is established in the EU and registered under the CRA Regulation. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Issuer.

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.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer (as defined below) and the Guarantors (as defined below) to fulfil their respective obligations under the Notes are discussed under "Risk Factors" below.

The Notes and the Guarantees of the Notes (as defined herein) have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act.

ARRANGER

THE ROYAL BANK OF SCOTLAND

DEALERS

BARCLAYS
J.P. MORGAN

HSBC
LLOYDS BANK

THE ROYAL BANK OF SCOTLAND

22 September 2014

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IMPORTANT NOTICES

Responsibility for this Base Prospectus

Each of Babcock International Group PLC ("**Babcock**" or the "**Issuer**") and Appledore Shipbuilders (2004) Ltd, Babcock Airports Ltd, Babcock Marine (Rosyth) Ltd, Babcock Marine (Clyde) Ltd, Babcock Networks Ltd, Babcock Support Services Ltd, Cavendish Nuclear Limited, Devonport Royal Dockyard Ltd, Babcock Rail Ltd, Frazer-Nash Consultancy Ltd, LSC Group Ltd, Rosyth Royal Dockyard Ltd, Babcock Pty Ltd, Babcock Integrated Technology Ltd, Babcock Aerospace Ltd, Babcock Flagship Ltd, Babcock Communications Ltd, Babcock Land Ltd, Inaer Helicopteros, SAU, Inaer Aviation Italia, S.P.A., Bond Offshore Helicopters Ltd, Bond Aviation Group Ltd and Inaer Fleet Management, S.A.U. (each a "**Guarantor**" and together, the "**Guarantors**") accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche (as defined herein) of Notes issued under the Programme and 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.

Final Terms/Drawdown Prospectus

Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed to the extent described by a document specific to such Tranche called final terms (the "**Final Terms**") or, as the case may be, as supplemented, amended and/or replaced to the extent described in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below.

Other relevant information

This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

The Issuer and the Guarantors have confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes and the Guarantee of the Notes (as defined below)) 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 and the Guarantee of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

Unauthorised information

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 any other document entered into in relation to the Programme or any information supplied by the Issuer or the Guarantors or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantors, any Dealer or the Trustee.

None of the Arranger, the Dealers, the Agents or the Trustee have separately verified the information contained in this Base Prospectus. None of the Arranger, the Dealers, the Agents or any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer, the Agents or on its behalf in connection with the Issuer, the Guarantors, or the issue and offering of the Notes. The Arranger, each Dealer and each Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise

have in respect of this Base Prospectus or any such statement. 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 amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the Guarantors since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or 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.

Restrictions on distribution

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, the Guarantors 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, the Notes and the Guarantee of the Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act.

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 Guarantors, the Trustee, the Dealers, the Agents 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 and the Guarantors.

Certain definitions

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the EEA, references to "**EUR**" or "**euro**" or "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended and references to "**Sterling**" or "**£**" are to pounds sterling, the lawful currency of the United Kingdom.

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.

Ratings

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency ("**CRA**") established in the EEA and registered under the CRA Regulation, or (2) issued by a CRA which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a CRA which is not established in the EEA but which is certified under the CRA Regulation, will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a CRA established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a CRA not established in the EEA but is endorsed by a CRA established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a CRA not established in the EEA which is certified under the CRA Regulation.

Notice to investors

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has 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) has 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) has 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) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) designated as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) 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 Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW

The following information is derived from, and should be read in conjunction with, the full text of this Base Prospectus and the information incorporated by reference herein. You should read the whole document and the information incorporated by reference herein and not just rely on the overview information, which should be read as an introduction to this Base Prospectus. Any decision to invest in the Notes should be based on consideration of this Base Prospectus and the information incorporated by reference herein as a whole.

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

Issuer:	Babcock International Group PLC
Guarantors:	Appledore Shipbuilders (2004) Ltd, Babcock Airports Ltd, Babcock Marine (Rosyth) Ltd, Babcock Marine (Clyde) Ltd, Babcock Networks Ltd, Babcock Support Services Ltd, Cavendish Nuclear Limited, Devonport Royal Dockyard Ltd, Babcock Rail Ltd, Frazer-Nash Consultancy Ltd, LSC Group Ltd, Rosyth Royal Dockyard Ltd, Babcock Pty Ltd, Babcock Integrated Technology Ltd, Babcock Aerospace Ltd, Babcock Flagship Ltd, Babcock Communications Ltd, Babcock Land Ltd, Inaer Helicopteros, SAU, Inaer Aviation Italia, S.P.A., Bond Offshore Helicopters Ltd, Bond Aviation Group Ltd and Inaer Fleet Management, S.A.U. As described under "Terms and Conditions of the Notes – Status and Guarantee" in certain circumstances other entities may give guarantees in respect of the Notes. In accordance with Condition 4(d) of the Terms and Conditions of the Notes, each Guarantor may cease to be a Guarantor in the event that, <i>inter alia</i> , it has been fully and unconditionally released from all obligations under the Financing (see "Terms and Conditions of the Notes – Status and Guarantee – Release of Guarantors").
Size:	Up to £1,800,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding and guaranteed at any one time.
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of each of the Issuer and the Guarantors to fulfil their respective obligations under the Notes are discussed under "Risk Factors" below.
Arranger:	The Royal Bank of Scotland plc
Dealers:	Barclays Bank PLC, HSBC Bank plc, J.P. Morgan Securities plc, Lloyds Bank plc, The Royal Bank of Scotland plc 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.
Trustee:	The Law Debenture Trust Corporation p.l.c.
Issuing and Paying Agent:	HSBC Bank plc
Registrar:	HSBC Bank plc

Paying Agents and Transfer Agents:	HSBC Bank plc
Final Terms or Drawdown Prospectus:	Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and relevant Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as completed to the extent described in the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus.
Listing and Trading:	Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange.
Clearing Systems:	Euroclear Bank SA/NV (" Euroclear ") and/or Clearstream Banking, <i>société anonyme</i> (" Clearstream, Luxembourg ") and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s).
Method of Issue:	The Notes will be issued in Series. Each Series may be issued in one or more Tranches on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Final Terms.
Forms of Notes:	Notes may be issued in bearer form or in registered form. Each Tranche of Bearer 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 depository or a common depository 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. Each Tranche of Registered Notes will be in the form of either Individual Note Certificates or a Global Registered Note, in each case as specified in the relevant Final Terms. Each Global

Registered Note 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 registered in the name of a nominee for such depositary and will be exchangeable for Individual Note Certificates in accordance with its terms.

- Currencies:** Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the relevant Guarantors and the relevant Dealer(s).
- Status of the Notes:** The Notes will constitute unsubordinated and (subject as referred to in "Negative Pledge" below) unsecured obligations of the Issuer as described in "*Terms and Conditions of the Notes – Status and Guarantee – Status of the Notes*".
- Status of the Guarantees:** The Guarantee of the Notes will constitute direct, general and unconditional obligations of each Guarantor as described in "*Terms and Conditions of the Notes – Status and Guarantee – Guarantee of the Notes*".
- Issue Price:** Notes may be issued at any price on a fully paid basis, as specified in the relevant Final Terms. 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, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
- Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) 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 (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer.
- Redemption:** Notes may be redeemable at par or such other Redemption Amount as may be specified in the relevant Final Terms.
- Optional Redemption:** The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders, and if so the terms applicable to such redemption.
- Redemption or Purchase on Change of Control:** The Notes of a Noteholder may be redeemed or purchased prior to their stated maturity at the option of such Noteholder on a change of control (as described in Condition 9(f) (*Redemption and Purchase – Redemption or Purchase on Change of Control*)), to the extent specified in the relevant Final Terms.

Tax Redemption:	Except as described in " <i>Optional Redemption</i> " and " <i>Redemption or Purchase on Change of Control</i> " above, early redemption will only be permitted for tax reasons as described in Condition 9(b) (<i>Redemption and Purchase - Redemption for tax reasons</i>).
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Denominations:	No Notes may be issued under the Programme with a minimum denomination of less than EUR 100,000 (or its equivalent in any other currency). 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.
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 5 (<i>Negative Pledge</i>).
Cross Acceleration:	The Notes will have the benefit of a cross acceleration as described in Condition 14 (<i>Events of Default</i>).
Taxation:	All payments in respect of Notes and the Coupons by or on behalf of the Issuer or a Guarantor shall be made free and clear of withholding taxes of any Tax Jurisdiction (as defined in the Conditions) unless the withholding is required by law. In that event, the Issuer or (as the case may be) the relevant Guarantor will (subject as provided in Condition 13 (<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, all as described in " <i>Terms and Conditions of the Notes – Taxation</i> ".
Governing Law:	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 United Kingdom, Japan, Italy, Spain and Australia, see " <i>Subscription and Sale</i> " below.

RISK FACTORS

Prospective investors should read the entire Base Prospectus. 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 section.

According to the Issuer's and Guarantors' assessment, the following factors may affect the Issuer's and Guarantors' ability to fulfil their obligations under the Notes and/or the Guarantee of the Notes (as applicable). All 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. According to the Issuer's and Guarantors' assessment, the factors described below in this "Risk Factors" section represent all the material/principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer and/or the Guarantors to pay interest, principal or other amounts on or in connection with any Notes and/or the Guarantee of the Notes (as applicable) may occur for other reasons which may not be considered material/principal risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

RISKS RELATING TO THE ISSUER AND THE BABCOCK GROUP

The Babcock Group relies on large contracts with a relatively limited number of major customers, including customers affected by political and public spending decisions

Babcock and its subsidiary undertakings from time to time (together, the "**Babcock Group**") has customers that are large, complex organisations, and central and local government departments, other public sector bodies or commercially owned entities in sectors subject to specific regulation. Many of them rely to a greater or lesser extent on public funding. These customers may be affected by financial, budgetary, regulatory or political constraints which could have a significant impact on the size, scope, timing and duration of contracts and orders with/placed by them and therefore on the level of business which the Babcock Group will derive from such customers. In addition, because of their size, these customers have considerable bargaining power and have the ability to cancel contracts without, or on short, notice, often without cause. In addition, in order to enter into and perform contracts with certain customers, the Babcock Group needs to obtain and retain the necessary eligible status, approvals, consents and/or licences required by laws or regulations or the relevant invitation to tender or contract. The loss, expiration, suspension, cancellation or termination of any of these contracts for any reason, or failure to obtain or retain the necessary eligible status, approvals, consents and/or licences to contract with such major customers, could have a material adverse effect on the Babcock Group's future results of operations and financial condition. Furthermore, a decrease in the amount of business undertaken from these customers, for any reason, could result in an adverse effect on the Babcock Group's business, financial condition or operating or financial results.

Damage to the reputation of the Babcock Group, whether justified or not, has the potential, given the relatively narrow customer base and the size of the contracts at stake, to impact severely the ability to win or retain business streams and therefore could materially adversely affect the business, financial condition, results of operations and prospects of the Babcock Group.

The Babcock Group depends and will continue to depend heavily on United Kingdom ("UK") government customers, particularly the Ministry of Defence ("MoD"), and other UK public sector bodies and agencies for a substantial proportion of its revenue. Loss of reputation with any such customer could lead to loss of business across that customer base and significant economic damage

Historically, the Babcock Group has derived a substantial proportion of its revenue from contracts with UK government customers or other UK public sector bodies or agencies, in particular from a relatively small number of contracts with the MoD, and the Babcock Group expects that such customers and contracts will continue to account for a significant proportion of the Babcock Group's total revenue for the foreseeable future. In addition, in order to enter into and perform contracts with such customers, the Babcock Group needs to obtain and retain the necessary eligible status, approvals, consents and/or licences, and meet the standards required by them of their suppliers and contractors. The loss, expiration,

suspension, cancellation or termination of any one of these contracts for any reason, failure to obtain or retain the necessary eligible status, approvals, consents and/or licences to contract with any such customer, or loss of reputation with any such customer (including as a result of loss of reputation by other outsourcing service providers or service providers generally), could have a material adverse effect on the business with this customer base and on the Babcock Group's future results of operations and financial condition. The MoD and UK government generally have significant purchasing and bargaining power with suppliers and may use that power to seek to amend or renegotiate existing contracts to include, or be willing only to let contracts on, terms less favourable to contractors, including companies in the Babcock Group, than may historically have been the case. In addition, if the MoD or the UK government or other public sector customers were to decrease the amount of business they undertake with any member of the Babcock Group for any reason, or if the Babcock Group's reputation or relationship with them were impaired, the Babcock Group's business, financial condition or operating or financial results would be materially adversely affected.

The operations of the Babcock Group carry significant health and safety and environmental risks and the Babcock Group will be exposed to the risk of losses and reputational damage from safety incidents and accidents

Due to the nature of the services provided by the Babcock Group, many of its operations, if not properly managed and conducted, entail the risk of significant harm to employees, third parties, members of the public or the environment. Serious accidents in the workplace can have a major impact on the lives of those employees involved as well as their families, friends, colleagues and communities.

In the event that an incident or accident is caused, perceived to be caused, or contributed to, by failings on the part of the Babcock Group or their employees or contractors (for example as a result of negligence, or poor health and safety systems and controls), this could result in significant adverse publicity, interruption of services to customers, payment of substantial damages not all of which may be insured, fines and the potential loss or suspension of required licences or authorisations and disqualification from future tenders. Moreover, safety-related incidents experienced by other service providers (in particular helicopter operators), who operate in the same or similar markets as the Babcock Group could impact customer confidence generally and lead to a reduction in customer contracts for the Babcock Group.

Failure to maintain a strong record of safety and reliability that is satisfactory to customers may adversely affect the Babcock Group's reputation, relationship with customers and financial conditions or operating and financial results.

Failure to realise the pipeline of opportunities and to secure rebids can involve significant wasted costs, missed opportunities for growth and loss of revenue

The realisation of the pipeline of opportunities for new bids and rebidding for existing contracts can involve a lengthy and costly bidding process. Bid and rebid success rates determine how much of the pipeline of opportunities is realised and turned into profitable business and how much existing business is retained. Bidding for large and complex contracts is time consuming (it can take many months or even run into years) and is expensive, as can be mobilising on new contract wins. Also, by their nature, large, longer-term contracts are irregular and relatively infrequent in coming to market. The Babcock Group may also face competition in the bidding process either from existing competitors or new market entrants, and expense, delay or loss of awarded contracts if their competitors protest or challenge awards of contracts to them. Unsuccessful major bids or rebids could involve significant wasted bid costs and may impact on the strategic objectives of the Babcock Group. The inability to secure a major new contract could represent a significant missed opportunity for growth, and losing rebids on existing contracts could lead to loss of significant existing revenue and profit stream. If the Babcock Group fails to realise pipeline opportunities, particularly having invested time and money in the bidding process, there could be a material adverse affect on the business, financial condition, results of operations and prospects of the Babcock Group.

The Babcock Group's businesses depends on its ability to attract, train and retain senior management and highly skilled employees

The Babcock Group's success depends on the continued service and performance of its highly qualified and experienced senior management and business development teams. The continuing success of the

Babcock Group relies on its ability to plan for management succession and to attract, train and retain qualified and experienced management and business development executives.

A loss of one or more of the members of the Babcock Group's senior management without adequate replacement could have a material adverse effect on the prospects for or performance of the Babcock Group. Insufficient experienced business development or bidding resources can impair the ability of the Babcock Group to achieve strategic aims and financial targets.

The Babcock Group's success also depends on its ability to recruit, train and retain highly skilled and suitably qualified employees, who represent a substantial amount of its intellectual capital, to serve its customers effectively. Competition for skilled personnel in the industries in which the Babcock Group operates is intense. Employees who are highly trained are likely to remain a limited resource for the foreseeable future. Identifying, recruiting and training personnel requires substantial resources. If the Babcock Group fails to recruit and retain qualified employees, in particular suitably qualified and experienced engineers, technicians, pilots and other specialist skills groups, including by failing to maintain compensation awards at an appropriate level, this could lead to a failure to fulfil contractual obligations, the inability to pursue business in new areas or a loss of reputation, any of which could have a material adverse effect on the business, financial condition or operating or financial results of the Babcock Group.

Failure to deliver secure IT systems and to combat cyber and other security risks to information and physical sites could adversely affect the ability of the Babcock Group to win future contracts and in the event of a breach of security could lead to business disruption and reputational damage

The ability of the Babcock Group to deliver secure IT and other information assurance systems designed to protect personal data or customer or company confidential information is a key factor for customers. Despite controls to ensure the confidentiality of such information, the Babcock Group may breach restrictions or may be subject to attack from computer programmes or malicious or hostile third parties that attempt to penetrate the network security and misappropriate confidential information. Due to advances in these programmes, IT capabilities and other developments, there is no guarantee that the Babcock Group's security measures will be sufficient to prevent breaches or cyber attacks. In addition, the risk of loss of information or data by other means due to a failure to keep it safe at all times and within its custody or control is a risk that cannot be entirely eliminated. Any such breach or compromise of security or a breach of security at a physical site could lead to loss of reputation, disruptions in business operations and inability to meet contractual obligations and have an adverse effect on the Babcock Group's ability to win future contracts and as a result its businesses, results of operations and overall financial condition.

There may be changes in governments' policies and investment levels

Certain of the Babcock Group's businesses are dependent on national and local governments' policies with regards to maintaining and improving public infrastructure and their attitude to outsourcing of services or activities to the private sector. National and local government policy changes and public spending constraints are potentially material risks for the Babcock Group as they could result in decisions not to, or no longer to, outsource services or activities or use contractors, delays in placing work, pressure on pricing or margins, withdrawal of projects, the bringing back "in-house" of services, early termination of contracts, lower contract spend than anticipated or adoption of less favourable contracting models. These customers set demanding criteria for eligibility for contracting with them, the cost of compliance with which can be significant.

There may be a decline in the UK government's defence budget or a change in its defence policy or priorities

Reductions in the MoD's budget or changes in its defence policy or spending priorities (such as changes to policy on continuous at sea nuclear deterrence or successors to existing nuclear deterrence capabilities or submarine or surface ship strength or capabilities) may adversely affect the Babcock Group's business if those reductions or changes result in the delay, cancellation, abandonment or significant reduction in scope of activities that may otherwise have been available for the Babcock Group to participate in. The UK government is due to undertake a Strategic Defence and Security Review in 2015 after the general election due in 2015 and such review may have material short or longer-term consequences for the Babcock Group's business with the MoD.

As a contractor with national and local governments, public sector bodies and agencies and government regulated customers, the Babcock Group is subject to procurement rules and regulations and procurement delays

As a contractor with governments and government regulated customers, members of the Babcock Group must comply with specific procurement regulations and other requirements. These requirements, although customary when entering into contracts with public sector bodies, increase the Babcock Group's bidding, performance and compliance costs. If procurement requirements or eligibility to bid criteria change, eligibility to bid for such contracts may be affected or the costs of bidding for or complying with such contracts could increase and have a negative impact on the Babcock Group's financial condition and results of operations.

Failure to comply with qualification to bid criteria, procurement rules and regulations (which can change) could result in reductions in the number or values of contracts to be awarded to the Babcock Group, the Babcock Group not being allowed to participate in future tenders, or contract modifications or terminations, any or all of which could have an adverse effect on the financial condition and results of operations of the Babcock Group. Failure to comply with these rules and regulations could lead to members of the Babcock Group being unable to contract with the public sector body concerned either at all or for a period of time and could negatively impact the Babcock Group's reputation and ability to procure future public sector work in the future.

In addition, public sector projects may require relevant approvals from either national or local government ministers or senior civil servants, national or local government departments or other public sector bodies or agencies. It is possible that, due to difficulties in obtaining such approvals, projects may be delayed before procurement has started, during the tender stage or during the period between being appointed as the preferred bidder and execution of final contracts. Delays in awarding public contracts may also arise from challenges to the award of the contracts by competitors. These matters are beyond the Babcock Group's control and any resulting delays could have an adverse impact on the Babcock Group's business, financial condition, results of operations or prospects.

Like all businesses contracting with national or local government departments or other public sector bodies or agencies, the Babcock Group faces additional risks of challenge related to public sector customer compliance with procurement, state aid, *intra vires* and other legal requirements for the validity of such customers' actions, which could have an adverse impact on the Babcock Group's business, financial condition, results of operations or prospects.

The Babcock Group's contracts with national and local governments and public sector bodies and agencies or major commercial customers may contain unfavourable provisions

The Babcock Group's contracts with national and local governments and public sector bodies and agencies or major commercial customers with significant bargaining power contain provisions, and are subject to laws and regulations, that give such customers contractual rights and remedies, some of which are not typically found in commercial contracts, such as wide ranging indemnities or uncapped liabilities arising from a variety of sources which may, in some circumstances be guaranteed by Babcock or other members of the Babcock Group, and which can be onerous for the Babcock Group.

In addition, the contracts with national or local governments, public sector bodies or agencies, regulated customers and major commercial customers may in some cases permit such customers to modify or terminate the contract, in whole or in part, without, or on short, prior notice, without cause or for default based on performance. If any of the Babcock Group's contracts are terminated other than for default, the relevant member(s) of the Babcock Group would generally be entitled to payments for allowable costs and may receive some allowance for profit on the work performed but usually not for future profits. If a contract is terminated for default, the Babcock Group could be exposed to significant liability for damages or other compensation and it could have a negative impact on its ability to obtain future contracts and orders. Furthermore, on contracts for which the relevant member of the Babcock Group is a subcontractor or a member of a consortium and not the sole prime contractor, customers could terminate the prime contract or project agreement irrespective of the relevant member of the Babcock Group's performance.

If significant terms (such as pricing) of certain of the Babcock Group's contracts or subcontracts are modified or if certain of the Babcock Group's contracts or subcontracts are terminated by such customers

and the Babcock Group is unable to win new contracts to offset the lost revenue, the Babcock Group's business, financial condition or results of operations could be materially adversely affected.

Contracts that the Babcock Group may enter into with national or local governments, public sector bodies or agencies and commercial customers can involve the transfer of employees, sometimes in large numbers. As well as involving potentially significant costs and complex administration, these transfers may require the Babcock Group to assume significant employment and, in some cases, pension liabilities.

Competition within the markets in which the Babcock Group operates may reduce the Babcock Group's revenues and market share

The Babcock Group operates in competitive markets and the Babcock Group's competitors may have more extensive or more specialised support capabilities than the Babcock Group in some areas. If the Babcock Group is unable to continue to compete successfully against current or future competitors (including, in respect of outsourcing of services by customers, in-house alternatives), the Babcock Group may experience declines in revenues and market share which could have an adverse effect on the Babcock Group's business, results of operations, financial condition and prospects.

The Babcock Group is subject to extensive and increasingly stringent regulations which may increase costs and, in the event of a breach of such regulations, result in reputational damage, sanctions or the inability to continue to conduct certain lines of business

In each of the jurisdictions in which the Babcock Group operates, it has to comply with laws, regulations and administrative policies which relate to, among other matters, business and operating licensing regimes, health and safety, employment (including pensions), the environment, anti-bribery, anti-corruption, banking and tax. Each aspect of the regulatory environment in which the Babcock Group operates is subject to change, which may be retrospective.

The helicopter and aircraft business is subject to a high degree of international, European and UK government regulation. This framework governs operational standards as well as commercial activity. The International division (along with other parts of the Babcock Group) is subject to regulations in respect of (i) airworthiness and environmental certification of aircraft and related products, parts and appliances, as well as the certification of design and production organisations, (ii) the continuing airworthiness of aircraft and aeronautical products, parts, and appliances and on the approval of organisations and personnel involved in these tasks, and (iii) technical requirements and administrative procedures relating to air operations. Standards and compliance are monitored through regular inspections. In addition, the International division is required to hold aircraft operating licenses to operate their principal business and is therefore subject to Regulation (EC) No 1008/2008 (the "**Regulation**"), which sets European nationality requirements for undertakings holding aircraft operating licences, being licences or permissions which are required to operate air services ("**Aircraft Operating Licences**"). The Regulation requires that a holder of an aircraft operating license is majority owned and effectively controlled by EEA nationals. In the event that the relevant undertaking ceases to be owned and effectively controlled by EEA nationals, this could lead to aviation regulators refusing, withholding, suspending or revoking the relevant operating licence which in turn could have a material adverse effect on the business, financial condition and/or operation of the Babcock Group. Further, members of the Babcock Group are required to obtain environmental and safety permits from various governmental authorities, such as the Office for Nuclear Regulation, the Defence Nuclear Safety Regulator, the UK Environment Agency and the Scottish Environment Protection Agency. Certain permits require periodic renewal or review of their conditions and it is not possible to predict whether the Babcock Group will be able to renew such permits or whether material changes in permit conditions will be imposed. The relevant members of the Babcock Group may not have been, or may not at all times in the future be, in complete compliance with required permits.

Violations of laws, regulations or permits could result in the suspension or closure of the Babcock Group's operations, the imposition of fines, the commencement of litigation or other proceedings or the imposition of other sanctions, and/or reputational damage. Other liabilities under environmental laws, including clean-up of hazardous substances, can be costly to discharge.

Whilst the Babcock Group incurs, and expect to incur, substantial capital and operating costs to comply with these laws and regulations, it is possible that any of these laws and regulations will change or become more stringent in the future, increasing compliance costs and potential liabilities, each of which

(or which together) could have a materially adverse effect on the business, financial condition, results of operations or prospects of the Babcock Group.

The Babcock Group enter into contracts which may be multi-year, fixed price and/or carry strict performance conditions, which could subject them to losses in the event that costs increase but cannot be recovered, or performance conditions are not satisfied

Members of the Babcock Group enter into contracts which may be multi-year, fixed price and/or carry strict performance conditions.

Multi-year and fixed price contracts expose the Babcock Group to the risks of:

- increases in costs attributable to such contracts beyond those anticipated and provided for within such contracts at the time they are entered into;
- being bound to perform an onerous contract as a result of inaccurate pricing and forecasting; and
- increases in costs that are not met through corresponding attributable increases in revenues from such contracts,

unless and to the extent that such increases are taken into account in periodic benchmarking and/or market testing where included in such contracts.

In addition, certain contracts contain strict performance conditions, which must be adhered to throughout the life of the contract. Failure to meet the performance criteria of a contract could result in:

- the cancellation of a contract, claims for loss, or compensation arrangements under the contract being triggered;
- reputational damage; and
- an adverse effect on the ability to win any future rebids for work.

The Babcock Group also enters into contracts with "Target Cost Incentive Fees". Where these mechanisms are used, failure to deliver a project for the agreed "Target Cost" may result in lower margins being earned by the Babcock Group in respect of that project.

Such increased costs, lower returns and economic, reputational and other impacts could materially adversely affect the business, financial condition, results of operations and prospects of the Babcock Group.

The Babcock Group depends on a limited number of third-party suppliers and subcontractor services

The Babcock Group relies on specialist suppliers for certain assets, products and components and, for some of those, solely on a single supplier (for example, a majority of the helicopters deployed by the International division are provided by a small number of manufacturers). These assets, products and components are typically made to order and would not be easily replaced should the supplier fail to deliver the products. In addition, the Babcock Group is generally subject to specific procurement requirements, which may, in effect, limit the suppliers which the Babcock Group may utilise. At times of high demand, these suppliers could experience backlogs in their manufacturing schedules and some components may be in limited supply from time to time.

The Babcock Group may also be subject to adverse impacts from unusually high price increases that are greater than overall inflationary trends. The Babcock Group might not be able to increase its contract rates to pass through the increased costs to its customers. An unusually high increase in the price of parts or components that cannot be fully passed on to its customers could have a material adverse effect on the Babcock Group's business, financial condition or results of operations.

Additionally, the insolvency of, or dispute with, any of these suppliers could therefore lead to a significant disruption to the businesses of the Babcock Group. Failure or significant delay by these suppliers in providing necessary parts and services could, in the absence of alternative sources of supply, have a material adverse effect on the business of the Babcock Group.

The Babcock Group's reputation could be affected by failing to meet contractual performance criteria either directly or through sub-contractors

The Babcock Group's financial success depends, on its ability to meet the contractual requirements it has entered into with its customers. On a substantial number of contracts, the Babcock Group employs sub-contractors or is a member of a consortium. The Babcock Group is, therefore, reliant not only on the performance of its own employees but also relies on the performance of its sub-contractors and consortium partners and, in particular, that they fulfil their obligations in a timely and satisfactory manner and in full compliance with applicable terms and conditions.

In addition, the Babcock Group is generally subject to specific procurement requirements, which may, in effect, limit the sub-contractors which the Babcock Group may utilise. If any of these sub-contractors fails to meet its obligations, the Babcock Group may not have readily available alternatives. Furthermore, some of the Babcock Group's sub-contractors or consortium partners may be impacted by periods of economic slowdown or recession, which could impair their ability to meet their obligations. In the event of the Babcock Group experiencing a sub-contractor or commercial partner problem, the Babcock Group may be unable to complete in a timely or satisfactory manner its contractual obligations to its customers which could result in additional costs in addressing such a problem, termination of contracts and damage to its reputation and its relationship with its customers. Any of these events could have a negative impact on the Babcock Group's results of operations and financial condition.

Any prolonged reduction in the level of activity in the oil and gas industry may have an adverse effect on the Babcock Group's business

A significant part of the business of the Babcock Group's International division is the provision of helicopter services to companies engaged in offshore oil and gas exploration, development and production activities. As a result, the demand for these services, as well as the impact on turnover and profitability, is dependent on the worldwide levels of activity in offshore oil and gas exploration, development and production. These activity levels are principally affected by trends in, and expectations regarding, oil and gas prices, as well as the capital expenditure budgets of oil and gas companies over which the Babcock Group does not have any control.

Any prolonged reduction in oil and gas prices could depress the level of helicopter activity in support of exploration and, to a lesser extent, production activity. Further, companies may also reduce staffing levels on both old and new installations by using new technology to permit unmanned installations and may increase the lengths of offshore shifts which will reduce the frequency of transportation of employees. The reduction of prices or the implementation of such measures could reduce the demand for helicopter services and have a material adverse effect on the Babcock Group's business, financial condition and results of operations.

The Babcock Group's businesses depend to a significant degree on its ability to obtain and maintain required security clearances for employees and facilities

Certain of the Babcock Group's government contracts require its employees to maintain various levels of security clearances, and the Babcock Group is required to maintain certain facility security clearances complying with the requirements of the MoD and other government or regulatory agencies. Obtaining and maintaining security clearances for employees and facilities can be a difficult and lengthy process, especially in the case of non-UK national employees. If the Babcock Group is unable to obtain or retain security clearances for employees and facilities, customers requiring cleared employees or facility security clearances could terminate or not renew their contracts. A loss of such contracts could materially adversely affect the Babcock Group's business, financial condition or operating or financial results.

In addition, the Babcock Group's employees must maintain certain security standards in order to carry out various business activities undertaken by the Babcock Group. If the Babcock Group fails to meet the security standards required to conduct such business, its business, financial condition or operating or financial results could be materially adversely affected.

A significant number of the Babcock Group's workforce are represented by trade unions or covered by collective bargaining agreements

A significant number of the Babcock Group's employees in the Marine, Defence, Nuclear and Rail businesses are members of trade unions in the UK and a number of the employees in the Babcock Group's Engineering and Plant Business in South Africa are members of trade unions and some sectors of the business are subject to union recognition agreements. In addition, a significant number of the employees in the Babcock Group's International division are covered by mandatory collective bargaining agreements. The Babcock Group is not able to predict how stable its relationships with the trade unions or other employee representative bodies will be. The presence of unions and the collective bargaining agreements may limit the Babcock Group's flexibility in dealing with its workforces and may lead to increased operating costs. In addition, if there is a material disagreement or dispute between the Babcock Group and its trade unions or employee representative bodies, the Babcock Group's business could be adversely affected, for example, as a result of work stoppages, unionised employees "working to rule" or increased costs associated with industrial disputes.

The Babcock Group operates several UK defined benefit pension schemes. Changes to the assumptions for investment returns, mortality or other valuation assumptions could adversely affect the Babcock Group's defined benefit pension schemes as the Babcock Group may be required to fund an increase in the cost of future benefits and/or meet funding shortfalls in respect of these schemes

The Babcock Group operates several defined benefit and defined contribution pension schemes in the UK. The Babcock Group's UK defined benefit schemes are of the funded defined benefit type, with benefits accruing based on salary and length of service. The cost of such schemes is met from both member and employer contributions paid into the pension scheme and the investment returns achieved by the schemes over time. The level of contributions required to meet the pension obligations is actuarially determined every three years based on various assumptions which are subject to change, such as life expectancy of members, investment returns, inflation etc. These must be agreed by the trustees and the relevant sponsoring employer. If, based on the assumptions being used at any time, the assets in the pension scheme are judged to be insufficient to meet the calculated cost of the pension obligations there will be a shortfall, which may be significant. The schemes' trustees may require this to be made up by increased contributions from employers over a time period, which must be agreed with the sponsoring employer and/or guarantees or other security to be provided by employers. The most significant impact can occur due to differences between the actual and assumed investment returns and changes in the assumption for life expectancy.

The largest defined benefit schemes in the Babcock Group are the Babcock International Group Pension Scheme, the Devonport Royal Dockyard Pension Scheme and the Rosyth Royal Dockyard Pension Scheme. The total of the combined assets of these schemes was £2,759.2 million as at 31 March 2014 and represents 85.7 per cent. of the total assets of the Babcock Group's defined benefit schemes.

The trustees of each of the Babcock Group's defined benefit pension arrangements, in consultation with the Babcock Group, prescribe the investment strategy in relation to the assets of the schemes and therefore the Babcock Group does not determine individual investment alternatives. The three largest defined benefit pension schemes in the Babcock Group have put in place longevity swaps (in order to hedge mortality risk) and the Babcock Group has been working constructively with an investment sub-committee across the three largest schemes to implement further hedging and de-risking strategies.

The Babcock Group's pension liabilities are calculated on various bases for different purposes and a significant increase in scheme deficits on certain of these bases could have a material effect on the Babcock Group's business, operating or financial results or financial position.

Accounting: The liabilities of the defined benefit schemes are calculated using the accounting valuation basis for the purposes of determining the provisions to be included in the balance sheet in its financial statements. The Babcock Group must comply with International Accounting Standards ("IAS") 19 when accounting for its defined benefit schemes. IAS 19 requires AA rated corporate bond related discount rates to be used to value the pension liabilities. This is likely to lead to variations from year-to-year due to a mismatch with the investments held in the pension schemes and because of variations in the yields available on corporate bonds and inflationary expectations. This in turn can materially affect the pensions charge in the Babcock Group's income statement from year-to-year as well as the value of the difference

between the assets and the liabilities shown on its balance sheet, leading to a significant accounting volatility.

In respect of the Babcock Group, the aggregate accounting deficit in the UK defined benefit pension schemes, as at 31 March 2014, was £267.7 million. The market value of assets and present value of pension scheme obligations using the accounting valuation basis as at 31 March 2014 for the three largest Babcock Group UK defined benefit schemes are as follows: (i) Devonport Royal Dockyard Pension Scheme: market value of assets £1,181.4 million, present value of pension scheme obligations £1,251.9 million, (ii) Babcock International Group Pension Scheme: market value of assets £1,033.6 million, present value of pension scheme obligations £1081.8 million, and (iii) Rosyth Royal Dockyard Pension Scheme: market value of assets £544.3 million, present value of pension scheme obligations £695.5 million.

An increase in the value of the net liabilities of these schemes may negatively affect the Babcock Group's balance sheet and distributable reserves, which could have a material adverse effect on the Babcock Group's business, operating or financial results or financial position.

Ongoing funding: UK pension law requires the trustees of UK pension schemes to carry out an actuarial valuation at least every three years (though the trustees have the ability to call an out of cycle valuation). As part of this process the employer and trustees must agree the pensions contributions required to fund the cost of future service benefits and any deficit contributions required as part of the recovery plan which must be put in place to address any deficit arising over an agreed period of time. The Pensions Regulator has the power to intervene if the employer and trustees fail to reach agreement (although typically if agreement is not reached by the statutory deadline reaching agreement, The Pensions Regulator will encourage the parties to continue their discussions, rather than immediately intervene itself). Increases in the value of the liabilities of the defined benefit pension schemes and/or a reduction in the value of the assets supporting funded schemes can lead to increased deficits at future formal actuarial valuations, typically resulting in increased employer contributions.

The valuation basis used for formal scheme valuations will not typically replicate the valuation basis used for accounting purposes and scheme valuation deficits are typically higher than accounting deficits. The basis for the scheme valuation deficit is agreed between the employer and trustees (subject to the Pensions Regulator's powers to intervene in this process) and will depend in part on the level of prudence built into actuarial assumptions used.

Demands for materially increased contributions from the Babcock Group employers to meet past service deficits or future service costs would impact the cash flows of the Babcock Group.

Buy-out funding: The buy-out deficit of the schemes is calculated by reference to the cost of securing scheme liabilities with an insurer; this is the most expensive basis for valuing scheme liabilities and can be significant. As the deficit on this basis is calculated in part by reference to prevailing annuity rates, it can be highly volatile over time. The buy-out deficit would become payable in relation to a UK defined benefit pension scheme if the scheme is wound up. In addition an employer's share of the buy-out deficit would become payable in circumstances where (i) the relevant employer ceases to participate in an ongoing pension scheme when at least one other employer is continuing to participate and (ii) subject to certain conditions, where the employer is insolvent.

The Pensions Regulator has the power in certain circumstances (for example, where an employer in relation to a pension scheme is considered to be "insufficiently resourced" for the purposes of the relevant legislation or if a particular transaction has a materially detrimental impact on the pension scheme) to require an employer or entities in the employer's wider corporate group (among others) to contribute to or otherwise support the pension scheme (in respect of each entity targeted by these powers, up to the amount of the buy-out deficit of the pension scheme). The Pensions Regulator can only exercise these powers in a particular case if it considers it reasonable to do so.

A requirement to pay the buy-out deficit of the scheme or an employer's share of it could have a material adverse effect on the Babcock Group's business, financial condition, results of operations or prospects.

Changes in the regulatory and/or accounting regimes for defined benefit pension liabilities could impose increased pension funding requirements and/or negatively impact the Babcock Group's distributable reserves

Changes to the financial reporting standards regarding the way defined benefit pension liabilities are reflected in company balance sheets could have an adverse impact on the Babcock Group's distributable reserves, which could have a material adverse effect on the Babcock Group's business, operating or financial results or financial position.

Strengthening of the regulatory funding regime for pensions in the UK (whether imposed by local law or European Union ("EU") law) could increase requirements for cash funding of pensions. This could require the Babcock Group to make significant additional payments to meet the Babcock Group pension commitments, which could have a material adverse effect on the Babcock Group's business, financial condition and results of operations.

The potential hazards of nuclear operations could expose the Babcock Group to the risk of, amongst others, material liabilities, lost revenues and increased expenses and damage to reputation

The Babcock Group's operations, which include (i) the fuelling and defuelling of nuclear power stations and nuclear powered submarines, (ii) the lifting of nuclear powered submarines into dry docks, (iii) the movement of nuclear weapons, (iv) the handling, use, disposal and transportation of hazardous and radioactive materials, (v) the storage of laid up nuclear powered submarines, and hazardous and radioactive materials and (vi) the decommissioning and decontamination of nuclear power stations, nuclear powered submarines and nuclear weapons, use and generate radioactive and hazardous substances that can seriously impact the health and safety of the public, the Babcock Group's employees and the environment. There are particular risks associated with the servicing, maintenance and decommissioning of nuclear power stations and nuclear powered submarines and the handling of nuclear weapons. These include accidents, the breakdown or failure of equipment or processes or human performance, including the Babcock Group's safety controls, and other catastrophic events, such as fire and flood, that could result in the dispersal of radioactive material over large areas, thereby causing injury or loss of life and extensive property or environmental damage. Certain of these events, including those arising as a result of third party acts, such as acts of terrorism or war, are not within the Babcock Group's control. The liabilities which the Babcock Group may incur, and interruptions in the operation of the nuclear power stations or naval bases caused by these events or associated with any of the radioactive or hazardous materials involved, could significantly reduce the Babcock Group's revenues, increase the Babcock Group's expenses and cause significant reputational damage. Proceeds of insurance or indemnities may not be adequate to cover all liabilities incurred, lost revenue or increased expenses. Analogous incidents occurring at nuclear power stations or in relation to nuclear powered submarines or nuclear weapons caused by third parties unconnected to the Babcock Group may result in similar losses regardless of the Babcock Group having no control or influence over such incidents.

See 'Information on the Babcock Group' for further information on the UK's nuclear regulatory regime and limitations on the Babcock Group's nuclear liability.

The Babcock Group's operating and financial flexibility may be restricted by its level of indebtedness and financial covenants and it may incur costs if it breaches its financial covenants

The Babcock Group's debt facilities contain a number of restrictive covenants that could limit its operating and financial flexibility, such as covenants in respect of gearing and interest cover.

A breach of any of these covenants could result in a significant proportion of the Babcock Group's borrowings becoming immediately repayable. In order to remain in compliance with these covenants, and depending on the future performance of its business, the Babcock Group may be required to take actions that it would not otherwise have chosen or may be unable to pursue opportunities it otherwise would have, such as possible acquisition opportunities. In addition, any future debt financing that the Babcock Group obtains may impose additional restrictions on financing and operating activities.

The Babcock Group's existing level of indebtedness and the covenants which apply to it may have important consequences, including:

- causing the Babcock Group to reprioritise the uses to which its capital is put to the potential detriment of the Babcock Group's business needs, which, depending on the level of the Babcock Group's borrowings, prevailing interest rates and exchange rate fluctuations, could result in reduced funds being available for expansion, dividend payments and other general corporate purposes;
- limiting the Babcock Group's flexibility in planning for, or reacting to, changes in technology, customer demand, competitive pressures and the sectors in which it operates;
- placing the Babcock Group at a competitive disadvantage compared to its competitors, who may be less leveraged and restricted by financial covenants than the Babcock Group;
- increasing the Babcock Group's vulnerability to both general and industry-specific adverse economic conditions; and
- increasing the cost of servicing the Babcock Group's borrowings in the event such covenants are renegotiated.

The above factors could limit the Babcock Group's financial and operational flexibility and this could have a material adverse effect on its future prospects, financial condition, results of operations or ability to pay dividends.

The order book and bid pipeline provide good visibility of future revenue streams due to the contract-based nature of the business, which, along with the Babcock Group's focus on managing contract costs, means that this risk is weighted towards the longer term. If any of these covenants were breached in the longer term, the cost of such breach and any refinancing required as a result could be an additional cost to the Babcock Group, which could adversely affect the Babcock Group's future prospects, financial condition or results of operations.

The Babcock Group's business could be adversely affected by a negative audit by government agencies or regulators

The Babcock Group's contracts with the UK government are subject to audit by the MoD Pricing and Forecasting Group in the UK, as well as other government bodies, agencies or regulators. Depending on the type of audit, these agencies and regulators may review the Babcock Group's performance under its contracts, cost structure and compliance with applicable laws, regulations and standards on such contracts. Such agencies and regulators may also review the adequacy of, and Babcock Group's compliance with, their internal control systems and policies, including the Babcock Group's purchasing, property, estimating, compensation and management information systems. If an audit uncovers inadequate internal control systems and policies, improper allocation of costs to a specific contract, or any improper or illegal activities, the Babcock Group may be subject to enhanced scrutiny, improperly allocated costs may not be reimbursed (or if already paid, may have to be refunded), or civil and criminal penalties and administrative sanctions may be imposed, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or debarment from doing business with the relevant government. In addition, the Babcock Group could suffer reputational harm if allegations of impropriety were made against it. Accordingly, any such audit could materially affect the Babcock Group's competitive position and result in a substantial adjustment to its revenue.

The Babcock Group's insurance may be inadequate to cover all of its risks or the insurers may deny coverage of material losses incurred by the Babcock Group

The Babcock Group uses insurance to cover certain of its risks and liabilities (including, among others, natural disasters, product liability and business interruption). Not every risk or liability can be protected against by insurance, and, for insurable risks, the limits of coverage reasonably obtainable in the market may not be sufficient to cover all losses or liabilities incurred. In addition, future accidents, risks of war, terrorist activity or other events could increase insurance premiums. In some circumstances the Babcock Group may receive indemnification from the UK government (either directly or indirectly) in respect of the Babcock Group's nuclear or other high risk activities undertaken for the UK government. Due to the

limitations on the availability of coverage, the Babcock Group may have to bear substantial costs for uninsured losses that could have an adverse effect upon its business, results of operations and overall financial condition. Additionally, disputes with insurers over coverage may affect the timing of cash flows and, in the event of litigation with the insurer, an outcome unfavourable to the Babcock Group may have an adverse effect on the Babcock Group's business, results of operations and overall financial condition.

The Babcock Group operates in emerging markets and is therefore exposed to emerging markets risks

The Babcock Group operates in a number of southern African countries with emerging markets. Such markets are exposed to a number of risks including:

- greater risk of political and economic instability, expropriation, nationalisation and confiscating taxation;
- the absence of developed legal structures, including those governing private or foreign investment and private property;
- significant regulatory and fiscal restrictions;
- the potential for higher rates of inflation or hyper-inflation;
- challenging ethical environments;
- interest rate, currency and credit risk; and
- lower levels of democratic accountability.

Such risks may adversely affect the Babcock Group's business, results of operations and overall financial condition.

The Babcock Group has exposure to foreign currency and interest rate risks

The Babcock Group is subject to risks associated with fluctuations in currency exchange rates in the ordinary course of its businesses, with a significant portion of revenue, assets and liabilities being denominated in currencies other than pounds sterling, in particular the euro and the Australian dollar, but also the South African rand, the Canadian dollar, the Brazilian real and the Swedish krone.

The Babcock Group prepares its consolidated financial statements in pounds sterling. Accordingly, when preparing its consolidated financial statements, the Babcock Group translates the value of any assets, liabilities, turnover and expenses that are reported or accounted for in other currencies into pounds sterling. Consequently, increases and decreases in the value of the pound sterling against these other currencies (in particular the euro) will affect the amount of these items in the Babcock Group's consolidated financial statements, even if their value has not changed in their original currency. In addition, to the extent expenses are incurred that are not denominated in the same currency as related turnover, exchange rate fluctuations could cause the Babcock Group's expenses to increase as a percentage of turnover, affecting its profitability.

The Babcock Group is also subject to interest rate risk in the ordinary course of business due to debt incurred at variable interest rates.

Although the Babcock Group hedges against financial risks through derivative instruments such as forward exchange contracts, currency options, interest rate and currency swaps and combined instruments, there can be no assurance that any hedging strategy will be effective and that foreign currency and interest rate fluctuations will not adversely affect the results of operations of the Babcock Group.

Members of the Babcock Group are involved in alliances and joint ventures over which they may have to share control or do not have control

The Babcock Group generates a significant amount of its revenues through participation in alliances, joint ventures and equity holdings in France, Italy, Spain, Norway and Portugal. The formation of alliances and

joint ventures with other market participants is an important part of the Babcock Group's strategy and is likely to continue to generate a significant amount of its revenues from alliances and joint ventures in the future. However, members of the Babcock Group exercise varying and evolving degrees of control in the alliances and joint ventures to which they are a party. While members of the Babcock Group seek to participate only in arrangements in which their interests are aligned with those of their co-parties, the risk of poor performance by the other parties or disagreement between parties is inherent in any alliance or joint venture and, as regards decision-making, particularly in those arrangements which require unanimity. Any such material disagreements or poor performance on the part of the other parties to the arrangement could materially adversely affect the Babcock Group's ability to perform their obligations under such alliances and joint ventures which could have a material adverse effect on their results of operations.

RISKS RELATING TO THE GUARANTORS

For risks relating to the Guarantors, see the risks relating to the Babcock Group in "*Risks relating to the Issuer and the Babcock Group*" above.

RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

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 Notes when its cost of borrowing is lower than the interest rate on the Notes. 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.

Zero Coupon Notes may experience price volatility in response to changes in market interest rates

Zero Coupon Notes do not pay interest but are issued at a discount from their nominal value. Instead of periodic interest payments, the difference between the redemption price and the issue price constitutes interest income until maturity and reflects the market interest rate. A holder of Zero Coupon Notes is exposed to the risk that the price of such Notes falls as a result of changes in the market interest rate. Prices of Zero Coupon Notes are more volatile than the prices of Fixed Rate Notes and are likely to respond to a greater degree to market interest rate changes than interest bearing notes with a similar maturity.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

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 the 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 the 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 the 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 Notes.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

RISKS RELATED TO THE NOTES GENERALLY

Set out below is a brief description of certain risks relating to the Notes generally:

The conditions of the Notes contain provisions which may permit their modification, including the substitution of the Issuer, without the consent of all investors

The Conditions of the Notes and the Trust Deed contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes and the Trust Deed also provide that the Trustee may, without the consent of Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine that any Potential Event of Default (as defined in the Trust Deed) or Event of Default shall not be treated as such or (iii) agree to the substitution of any holding company of the Issuer, Subsidiary of the Issuer or successor in business of the Issuer as the principal debtor in relation to the Notes and Coupons of any Series, in the circumstances described in the Trust Deed and the Conditions of the Notes, **provided that** in the case of (i), (ii) and (iii), the Trustee is of the opinion that to do so would not be materially prejudicial to the interests of Noteholders.

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 applications have been made for the Notes issued under the Programme to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange, there is no assurance that such applications 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 Guarantee of the Notes may be limited by the operation of applicable laws or be subject to certain limitations or defences

The Guarantee of the Notes provide the Noteholders with a direct claim against the assets of each of the Guarantors. However, enforcement of the Guarantee of the Notes against any Guarantor may be subject to certain defences available to debtors generally under local insolvency laws as well as those relevant to guarantors or, in some cases, to limitations designed to ensure full compliance with statutory requirements applicable to the relevant Guarantor. These laws and defences include those that relate to fraudulent conveyance or transfer, voidable preference, unfair consideration, financial assistance, corporate purpose, capital maintenance or similar laws and regulations or defences affecting the rights of creditors generally. As a result, a Guarantor's liability under the Guarantee of the Notes could be materially reduced or eliminated, depending upon the amounts of its other obligations and upon applicable laws. In particular, in certain jurisdictions, a guarantee issued by a company that is not in the company's corporate interests, or the burden of which exceeds the benefit to the guarantor, may not be valid and enforceable. It is possible that a Guarantor, a creditor of a Guarantor or the bankruptcy trustee, in the case of an insolvency of a Guarantor, may contest the validity and enforceability of the Guarantee of the Notes, and that the applicable court may determine that the Guarantee of the Notes should be limited or voided. In the event that the Guarantee of the Notes is invalid or unenforceable, in whole or in part in respect of a Guarantor, the Notes would not be guaranteed by such Guarantor and would be effectively subordinated to all liabilities of the applicable Guarantor, including trade payables of such Guarantor (see "*Risks relating to structural subordination of the Notes*" below).

The Guarantee of the Notes given by Inaer Helicopteros, SAU and Inaer Fleet Management, S.A.U. may be limited by the operation of Spanish law

Spanish law imposes a restriction on the granting of guarantees or security by Spanish guarantors stock companies (*sociedades anónimas*) such that guarantees or security in respect of obligations under such guarantee or security documents shall not include nor extend to any obligations or amounts that would place such guarantees or security in contravention of article 150 of the Spanish Capital Companies Law (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*). In particular, no guarantee or security granted by Inaer Helicopteros, SAU or Inaer Fleet Management, S.A.U. (each a "**Spanish Guarantor**" and together the "**Spanish Guarantors**") may secure any payment, prepayment, repayment or reimbursement obligations derived from any finance document used, or that may be used, for the purposes of payment of acquisition debt (for the purposes of article 150 of the Spanish Capital Companies Law) or the payment of any costs or transaction expenses related to, or paying the purchase price for, such acquisition.

The interpretations of the laws of Spain by the Courts may limit the ability of the Spanish Guarantors to guarantee the Notes. Although the law does not establish any limit, recent first instance Spanish case law indicates, and certain scholars understand that, the risk associated with a guarantee or the value of a security interest provided by a Spanish Guarantor to secure the indebtedness held by other companies within its corporate group must be reasonable and economically and operationally justified from the guarantor's or grantor's own perspective and justified under the corporate interest of such guarantor or grantor.

The Guarantee of the Notes given by Inaer Aviation Italia S.p.A. may be limited by the operation of Italian law

The Guarantee of the Notes of Inaer Aviation Italia S.p.A. (the "**Italian Guarantor**") may be limited by applicable Italian laws or be subject to certain procedures that could limit or prevent the Italian Guarantor from making payments under the Guarantee of the Notes. The Guarantee of the Notes provides the holders of the Notes with a direct claim against the Guarantors, including the Italian Guarantor. However, the enforcement of the Guarantee of the Notes against the Italian Guarantor would be subject to certain defences generally available under Italian law in connection with guarantees.

In particular, under Article 1938 of the Italian Civil Code, a guarantee in respect of future obligations must specify the maximum amount for which it is given. Accordingly, the obligations of the Italian Guarantor in respect of the Guarantee of the Notes may not be enforceable under Italian law and may not be recognised by the Italian courts to the extent that they purport to guarantee future obligations without specifying the maximum guaranteed amount. Furthermore, the above provision of Italian law is deemed to set out a principle of public policy in Italy.

Local insolvency laws may not be as favorable to Noteholders as the insolvency laws of another jurisdiction with which Noteholders may be more familiar

The Issuer is incorporated in England and Wales, and the Guarantors are respectively organised under the laws of England and Wales, Scotland, Spain, Italy or Australia, as applicable. The insolvency laws of these other jurisdictions may not be as favorable to Noteholders as the laws of some other jurisdictions with which Noteholders may be more familiar. Certain provisions of the insolvency laws in these jurisdictions could affect the ranking of the Notes and the Guarantee of Notes or claims relating to the Notes and the Guarantee of the Notes on an insolvency of the Issuer or a Guarantor, as the case may be.

Certain or all of the Guarantors may cease to be Guarantors

Under the Terms and Conditions of the Notes the Issuer may request that a Guarantor cease to be a Guarantor in respect of the Notes if such Guarantor is no longer providing a guarantee in respect of, or is no longer a borrower under the Financing. Consequently certain or all of the Guarantors may cease to be Guarantors in respect of the Notes. If this happens, Noteholders will only be able to look to the Issuer and the remaining Guarantors, which may include subsidiaries of the Issuer which become guarantors of the Notes pursuant to the Terms and Conditions of the Notes (or, as the case may be, the Issuer only) for payments in respect of the Notes.

Risks relating to structural subordination of the Notes

The Issuer is the holding company of the Babcock Group and as such its operations are principally conducted through its subsidiaries. Accordingly, the Issuer is and will be dependent on its subsidiaries' operations to service its indebtedness, including the Notes. Several of Babcock's subsidiaries are Guarantors of the Notes, but the Notes will be structurally subordinated in respect of the claims of all holders of debt securities and other creditors, including trade creditors, of the Issuer's other subsidiaries. In the event of an insolvency, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Issuer that is not a Guarantor of the Notes, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Issuer.

Withholding under the EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the EU Savings Directive.

On 24 March 2014, the Council of the European Union adopted an EU Council Directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the EU Savings Directive to include certain additional types of income, and widen the range of recipients payments to whom are covered by the EU Savings Directive, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by 1 January 2016 (which national legislation must apply from 1 January 2017).

If a payment were to be made or collected through a Member State which has 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 (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note 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 EU Savings Directive.

Foreign Account Tax Compliance Act ("FATCA")

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs (see "*Taxation – FATCA*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the securities are discharged once it has paid the common depositary or common safekeeper for the ICSDs (as bearer/registered holder of the securities) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

Investors who purchase bearer Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive bearer Note in respect of such holding (should definitive bearer Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination. If such bearer Notes in definitive Form are issued, holders should be aware that definitive bearer Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

RISKS RELATED TO THE MARKET GENERALLY

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Notes.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes

As of the date of this Base Prospectus, the Issuer has been assigned a rating of BBB by S&P and the Programme is expected to also be assigned a rating of BBB by S&P. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating(s)

assigned to Issuer, the Programme or to Notes already issued. One or more independent credit rating agencies may also assign credit ratings to the Notes, which may not necessarily be the same ratings as the Issuer or Programme rating described above or any rating(s) assigned to Notes already issued. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a CRA established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered CRA or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

INFORMATION INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Base Prospectus and which have been approved by the FCA or filed with it, shall be deemed to be incorporated in, and form part of, this Base Prospectus:

- the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the years ended 31 March 2014 and 31 March 2013 (set out on pages 123 to 174 and 101 to 148, respectively, of the 2014 and 2013 annual reports of the Issuer); and
- the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of Avincis Mission Critical Services Topco Limited and its Subsidiaries (the "**Avincis Group**") in respect of the year ended 31 December 2013 (prepared in accordance with the Issuer's accounting standards) (set out on pages 150 to 228 of the prospectus dated 27 March 2014 published by the Issuer relating to the acquisition of the Avincis Group and rights issue).

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge, at the Issuer's offices at 33 Wigmore Street, London, W1U 1QX and the Issuer's website www.babcockinternational.com. Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and approved by the FCA in accordance with Section 87G of the FSMA. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus. Where only certain sections of a document referred to above are incorporated by reference in the Base Prospectus, the parts of the document which are not incorporated by reference are either not relevant to prospective investors in the Notes or covered elsewhere in this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus will be published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantors and of the rights attaching to the Notes and the Guarantee of the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer and the Guarantors have included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in the relevant Final Terms as supplemented to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the Guarantors and the relevant Notes or (2) by a registration document (the "**Registration Document**") containing the necessary information relating to the Issuer and the Guarantors, a securities note (the "**Securities Note**") containing the necessary information relating to the relevant Notes and, if necessary, a summary note.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant 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 (each, a "**CGN**"), 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. as operator of the Euroclear System ("**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 deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

Whether or not the Notes are intended to be held in a manner which would allow Eurosystem eligibility will be set out in the relevant Final Terms. Note that the designation "Yes" in the relevant Final Terms means that the Notes are intended upon issue to be deposited with one of the international central securities depositories ("**ICSDs**") as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Where the designation is specified as "No" in the relevant Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or 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 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 relevant Final Terms specifies 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 delivery of a Permanent Global Note, duly authenticated and, in the case of a NGN, effectuated, 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) presentation and surrender of the Temporary Global Note to or to the order 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.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies 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 or 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 Bearer Notes in definitive form ("**Definitive Notes**") not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies 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 relevant 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 to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies 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 relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:
 - (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; or
 - (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

If the Specified Denomination of the Notes stated in the final terms includes language substantially to the following effect: "*EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000*", the Notes cannot be represented on issue by a Permanent Global Note exchangeable for Definitive Notes in accordance with (ii) above.

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 relevant Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order 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 relevant Final Terms which supplement, amend and/or replace 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 Bearer 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."

Registered Notes

Each Tranche of Notes in registered form ("**Registered Notes**") will be in the form of either individual note certificates in registered form ("**Individual Note Certificates**") or a global Note in registered form (a "**Global Registered Note**"), in each case as specified in the relevant Final Terms. Each Global Registered Note 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 registered in the name of a nominee for such depositary and will be exchangeable for Individual Note Certificates in accordance with its terms.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Each Note represented by a Global Registered Note will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Whether or not the Notes are intended to be held in a manner which would allow Eurosystem eligibility will be set out in the relevant Final Terms. Note that the designation "Yes" in the relevant Final Terms means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Where the designation is specified as "No" in the relevant Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of

the ICSDs acting as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

If the relevant Final Terms specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

Global Registered Note exchangeable for Individual Note Certificates

If the relevant Final Terms specifies the form of Notes as being "Global Registered Note exchangeable for Individual Note Certificates", then the Notes will initially be represented by one or more Global Registered Notes each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Global Registered Note", then if either of the following events occur:
 - (a) Euroclear, 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
 - (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever a Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Note at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Terms and Conditions applicable to the Notes

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

The terms and conditions applicable to any Global Registered Note 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.

Summary of Provisions relating to the Notes while in Global Form

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bearer form, 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 a 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.

In relation to any Tranche of Notes represented by one or more Global Registered Notes, references in the Terms and Conditions of the Notes to "Noteholder" are references to the person in whose name such Global Registered Note is for the time being registered in the Register which for so long as the Global Registered Note is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Registered Note (each an "**Accountholder**") must look solely to Euroclear, 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 or the Guarantors to the holder of such Global Note or Global Registered Note and in relation to all other rights arising under such Global Note or Global Registered Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Registered 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 a Global Note or Global Registered Note, Accountholders shall have no claim directly against the Issuer or the Guarantors in respect of payments due under the Notes and such obligations of the Issuer and the Guarantors will be discharged by payment to the holder of such Global Note or Global Registered Note.

Conditions applicable to Global Notes

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

Payments: All payments in respect of the Global Note or Global Registered Note which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Registered Note to or to the order 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 payment is noted in a schedule thereto and in respect of a 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 or a Global Registered 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.

Payment Record Date: Each payment in respect of a Global Registered Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Note is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 9(e) (*Redemption and Purchase – Redemption at the option of Noteholders*) or Condition 9(f) (*Redemption and Purchase – Redemption or Purchase on Change of Control*) the bearer of a Permanent Global Note or the holder of a Global Registered Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give notice of such exercise to the Principal Paying Agent in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

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 some only of the Notes, the Permanent Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 21 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is, deposited with a depositary or a common depositary 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 21 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder to the Principal Paying Agent or Registrar (as applicable) through Euroclear Bank and/or Clearstream, Luxembourg and/or any other relevant clearing system, and otherwise in such manner as the Principal Paying Agent or the Registrar, as the case may be, and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, may approve for this purpose.

Electronic Consent: While any Global Note is held on behalf of, or any Global Registered Note is registered in the name of a nominee for a depositary common to, a clearing system, then approval of a resolution proposed by the Issuer, a Guarantor or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than three quarters of the principal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes, take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons whether or not they participated in such Electronic Consent.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. In the case of any Tranche of Notes which are being admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Tranche of Notes may complete information in this Base Prospectus.

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" above.

1. Introduction

- (a) *Programme:* Babcock International Group PLC (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to £1,800,000,000 in aggregate principal amount of notes (the "**Notes**") guaranteed by Appledore Shipbuilders (2004) Ltd, Babcock Airports Ltd, Babcock Marine (Rosyth) Ltd, Babcock Marine (Clyde) Ltd, Babcock Networks Ltd, Babcock Support Services Ltd, Cavendish Nuclear Limited, Devonport Royal Dockyard Ltd, Babcock Rail Ltd, Frazer-Nash Consultancy Ltd, LSC Group Ltd, Rosyth Royal Dockyard Ltd, Babcock Pty Ltd, Babcock Integrated Technology Ltd, Babcock Aerospace Ltd, Babcock Flagship Ltd, Babcock Communications Ltd, Babcock Land Ltd, Inaer Helicopteros, SAU, Inaer Aviation Italia, S.P.A., Bond Offshore Helicopters Ltd, Bond Aviation Group Ltd and Inaer Fleet Management, S.A.U. (together the "**Initial Guarantors**"). The term "**Guarantors**" shall, at any time: (i) include (in each case, only if the relevant entity is not at such time a Released Guarantor (as defined in Condition 4(d) (*Release of Guarantors*))) each of the Initial Guarantors and any Subsidiary which becomes a guarantor pursuant to Condition 4(c) (*Guarantees by Subsidiaries*); and (ii) exclude any Released Guarantor which has ceased to be a guarantor pursuant to Condition 4(d) (*Release of Guarantors*).
- (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 a final terms (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Trust Deed:* The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 22 September 2014 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer, the Guarantors and The Law Debenture Trust Corporation p.l.c. as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).
- (d) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 22 September 2014 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantors, HSBC Bank plc 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), HSBC Bank plc as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), 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), the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee. In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.
- (e) *The Notes:* The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms and Base

Prospectus have been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

- (f) *Summaries:* Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Noteholders (as defined below) 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 Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the 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 relevant Final Terms;

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

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

"**Babcock Group**" means the Issuer and its Subsidiaries;

"**BBSW**" means, in respect of Australian dollars and any specified period, the interest rate benchmark known as the Bank Bill Swap Reference Rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Australian Financial Markets Association (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided by a panel of contributor banks (details of historic BBSW rates can be obtained from the designated distributor);

"**Broken Amount**" has the meaning given in the relevant 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 relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

"**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

"**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;

"**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

"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 relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**

- (i) 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;
- (ii) 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
- (iii) 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

"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 relevant 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 relevant Final Terms;

"Calculation Amount" has the meaning given in the relevant Final Terms;

"Calculation Date" means the date set out in the relevant notice of redemption;

"Change of Control Redemption Amount" means, in respect of any Note, its principal amount;

"Consolidated Total Assets" means the value of the gross assets of the Babcock Group calculated in accordance with GAAP and shown in and calculated by reference to the latest annual audited consolidated financial statements of the Issuer;

"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 relevant Final Terms and:

- (a) if **"Actual/Actual (ICMA)"** is so specified, means:
 - (i) 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
 - (ii) 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;

- (b) if "**Actual/365**" or "**Actual/Actual (ISDA)**" 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);
- (c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

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

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30";

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

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

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

- (g) if "30E/360 (ISDA)" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation 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 D₂ will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in these Conditions or the relevant Final Terms;

"**EURIBOR**" means, in respect of the euro and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Financing**" means the £500,000,000 revolving credit facility dated 17 June 2011 (as amended and restated from time to time) between (*inter alios*) the Issuer and The Royal Bank of Scotland plc as facility agent, or any refinancing, renewal or substitution thereof;

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"GAAP" means generally accepted accounting principles in the United Kingdom, including international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the financial statements of the Babcock Group;

"Gross Redemption Yield" means a yield calculated in accordance with generally accepted market practice at such time, as advised to the Issuer and Trustee by the Quotation Agent;

"Guarantee" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) 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;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

"Guarantee of the Notes" means the guarantee of the Notes given by the Guarantors in the Trust Deed;

"Holder", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Title to Registered Notes*);

"Holding Company" means a holding company within the meaning of section 1159 of the Companies Act 2006;

"Indebtedness" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) 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;
- (d) 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
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"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 relevant Final Terms;

"Interest Determination Date" has the meaning given in the relevant Final Terms;

"Interest Payment Date" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention;
- or

- (b) 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 relevant 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;

"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 relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

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

"LIBOR" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

"Make-Whole Amount" means the principal amount of the Notes to be redeemed multiplied by the price (expressed as a percentage and rounded to four decimal places with 0.00005 being rounded upwards) at which the Gross Redemption Yield on such Notes on the relevant Calculation Date is equal to the Gross Redemption Yield at the Quotation Time on the relevant Calculation Date of the Reference Security, plus the Make-Whole Redemption Margin, all as determined by the Quotation Agent;

"Make-Whole Redemption Margin" has the meaning given in the relevant Final Terms;

"Material Subsidiary" at any time means a Subsidiary of the Issuer the turnover, or profits before interest and taxation (including intra-group items, but excluding any exceptional and extraordinary items) of which at that time equal or exceed 10 per cent. of the turnover, or profits before interest and taxation of the Babcock Group, such turnover or profits before interest and taxation (and excluding exceptional and extraordinary items) being ascertained from the most recently prepared annual audited financial statements of the Issuer and the most recently prepared annual audited financial statements of its Subsidiaries, and a certificate signed by two Officers of the Issuer certifying that in their opinion, based on such financial statements, a Subsidiary is or is not or was or was not a Material Subsidiary, may be relied upon by the Trustee without liability and without further enquiry or evidence, and if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties;

"Maturity Date" has the meaning given in the relevant Final Terms;

"Maximum Redemption Amount" has the meaning given in the relevant Final Terms;

"Minimum Redemption Amount" has the meaning given in the relevant Final Terms;

"Noteholder", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Title to Registered Notes*);

"Officer" means (i) in the case of the Issuer, a director of the Issuer or the Issuer's company secretary, from time to time and (ii) in the case of a Guarantor, a director of such Guarantor or such Guarantor's company secretary, from time to time;

"Optional Redemption Amount (Call)" has the meaning given in Condition 9(c) (*Redemption at the option of the Issuer*);

"Optional Redemption Amount (Put)" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"Optional Redemption Date (Call)" has the meaning given in the relevant Final Terms;

"Optional Redemption Date (Put)" has the meaning given in the relevant Final Terms;

"Participating Member State" means a Member State of the EU which adopts the euro as its lawful currency in accordance with the Treaty;

"Payment Business Day" means:

- (a) if the currency of payment is euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) 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
- (b) if the currency of payment is not euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) 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;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) 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; and
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to require redemption or, as the case may be, purchase of a Note at the option of the Noteholder;

"Put Option Receipt" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to require redemption or, as the case may be, purchase of a Note at the option of the Noteholder in accordance with Conditions 9(e) (*Redemption at the option of Noteholders*) or 9(f) (*Redemption or Purchase on Change of Control*);

"Quotation Agent" means any Dealer or any other international credit institution or financial services institution appointed by the Issuer for the purpose of determining the Make-Whole Amount after consultation with the Trustee;

"Quotation Time" has the meaning given in the relevant Final Terms;

"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 relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"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, the Change of Control Redemption Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

"Reference Banks" has the meaning given in the relevant 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 Price" has the meaning given in the relevant Final Terms;

"Reference Rate" means BBSW, EURIBOR or LIBOR as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

"Reference Security" shall be the security as specified hereon or, where the Quotation Agent advises the Issuer and Trustee that, for reasons of illiquidity or otherwise, such security is not appropriate for such purpose, such other government stock as such Quotation Agent may recommend;

"Regular Period" means:

- (a) 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;
- (b) 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
- (c) 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;

"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 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 relevant 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 which 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, Reuters) specified as the Relevant Screen Page in the relevant 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 relevant Final Terms;

"Reserved Matter" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"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;

"Specified Currency" has the meaning given in the relevant Final Terms;

"Specified Denomination(s)" has the meaning given in the relevant Final Terms;

"Specified Office" has the meaning given in the Agency Agreement;

"Specified Period" has the meaning given in the relevant Final Terms;

"Subsidiary" means a subsidiary within the meaning of section 1159 of the Companies Act 2006 but excluding for the purposes of these Conditions any subsidiary which is not a subsidiary of the Issuer for the purposes of IFRS;

"Successor in Business" means any company which as a result of any amalgamation, merger or reconstruction or which, as a result of any agreement with the Issuer, owns beneficially all or substantially all of the undertaking, property and assets owned by the Issuer prior to such amalgamation, merger, reconstruction or agreement coming into force;

"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;

"Tax Jurisdiction" means (i) any jurisdiction under the laws of which the Issuer or any Guarantor, or any successor to the Issuer or Guarantor, is organised or in which it is resident for tax purposes or (ii) any other taxing jurisdiction to which the Issuer or any Guarantor may become subject at any time or, in any such case, any political subdivision or any authority thereof or therein having power to tax;

"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 relevant Final Terms.

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;

- (iv) 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 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions (including, without limitation, any purchase moneys pursuant to Condition 9(f) (*Redemption or Purchase on Change of Control*));
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (viii) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination, Title and Transfer**

- (a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.
- (c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.
- (d) *Title to Registered Notes:* The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.
- (e) *Ownership:* 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, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) 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 under the Contracts (Rights of Third Parties) Act 1999.
- (f) *Transfers of Registered Notes:* Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are

being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

- (g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (i) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.
- (j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. **Status and Guarantee**

- (a) *Status of the Notes:* 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.
- (b) *Guarantee of the Notes:* Each Initial Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed on a joint and several basis the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes and under the Trust Deed. The Guarantee of the Notes constitutes direct, general and unconditional obligations of each Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of such Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (c) *Guarantees by Subsidiaries:* If, after the first Tranche of the Notes comprising a Series is issued and as long as any Note comprising such Series remains outstanding, (i) any Subsidiary that is not a Guarantor issues a Guarantee (or is a borrower) under the Financing and (ii) it is lawful for such Subsidiary to do so, the Issuer shall procure that such Subsidiary shall, in accordance with the provisions set out in the Trust Deed, irrevocably and unconditionally guarantee on the terms *mutatis mutandis* of Clause 5 (*Guarantee and Indemnity*) of the Trust Deed and on a *pari passu* basis with such Subsidiary's obligations as guarantor or borrower, as the case may be, under the Financing, the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes and under the Trust Deed. The Issuer shall promptly give notice to the Trustee, the Principal Paying Agent, the Registrar and the Noteholders in accordance with Condition 21 (*Notices*) of the appointment of any such new Guarantor.
- (d) *Release of Guarantors:* In the event that any Guarantor shall have been fully and unconditionally released from all obligations under Guarantees of the Financing or as a borrower under the Financing (as the case may be), such Guarantor (a "**Released Guarantor**") shall, upon receipt of

the notice described in this Condition 4(d), be deemed released from all obligations under its Guarantee of the Notes without any further action required on the part of the Trustee, any Noteholder or any Couponholder. The Issuer will deliver a notice signed by two Officers of the Issuer notifying the Trustee that such Guarantor has been fully and unconditionally released from all obligations under Guarantees of the Financing or as a borrower under the Financing (as the case may be) and such notice will contain a certification that no Event of Default or a Potential Event of Default is continuing or will result from the release of that Guarantor. Such notice may be relied upon by the Trustee without liability and without further enquiry or evidence, and if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties. Any Guarantor not so released shall remain irrevocably and unconditionally liable for its obligations under the Guarantee of the Notes. The Issuer shall promptly give notice to the Trustee, the Principal Paying Agent, the Registrar and the Noteholders in accordance with Condition 21 (*Notices*) following any such release of a Guarantor. If a Released Guarantor issues a Guarantee (or is a borrower) under the Financing at any time subsequent to the date on which it is released from the Guarantee of the Notes as described above, such Released Guarantor will be required to provide a guarantee as described in, and subject to the provisions of, Condition 4(c) (*Guarantees by Subsidiaries*) above.

- (e) *List of Guarantors:* The Issuer and the Principal Paying Agent shall maintain an updated list of Guarantors, which shall be available for inspection at their respective registered offices upon request. The Issuer shall promptly give notice to the Trustee and the Noteholders in accordance with Condition 21 (*Notices*) if there is a change to the guarantor(s) and/or borrower(s) under the Financing.

5. **Negative Pledge**

So long as any Note remains outstanding, none of the Issuer, any Guarantor and any Material Subsidiary shall 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 or Guarantee 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 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 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant 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 - Bearer Notes*) and Condition 12 (*Payments - Registered Notes*). 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 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 or Broken Amount:* The amount of interest payable per Calculation Amount for any Interest Period shall be the relevant Fixed Coupon Amount or Broken Amount (if applicable).
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount or Broken 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 relevant 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 11 (*Payments - Bearer Notes*) and Condition 12 (*Payments - Registered Notes*). 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 (ii) the day which is seven days after the Principal Paying Agent 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 relevant 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) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
 - (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;
 - (iii) 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;
 - (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) 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
- (v) 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 (until such time as an alternative method for determining the Rate of Interest shall be determined by the Issuer and a financial adviser (as appointed by the Issuer after consultation with the Trustee) with such determination being notified in writing by the Issuer to the Trustee and the Noteholders) (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period).

- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant 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 relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
- (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
 - (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant 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) *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 competent 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.

8. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant 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 (ii) the day which is seven days after the Principal Paying Agent 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 redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments - Bearer Notes*) and Condition 12 (*Payments - Registered Notes*).

(b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (unless the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant final terms, (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) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction 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, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (B) (1) any Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction 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; (2) such obligation cannot be avoided by the relevant Guarantor taking reasonable measures available to it, and (3) the Issuer and the relevant Guarantor are unable for reasons outside their control to procure payment of the relevant amount by any Guarantor which is not or, as the case may be, would not be so obliged to pay additional amounts,

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

- (1) where the Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant final terms) prior to the earliest date on which the Issuer or the relevant Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant final terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the relevant Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee (i) a certificate signed by two Officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal or tax advisers of recognised standing to the effect

that the Issuer or, as the case may be, the relevant Guarantor has or will become obliged to pay such additional amounts as a result of the relevant change or amendment as referred to above.

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

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

- (c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant final terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

In these Conditions:

"Optional Redemption Amount (Call)" means:

- (i) in relation to any Optional Redemption Date (Call) which falls in the period from (and excluding) the date falling three months prior to the Maturity Date to (and including) the Maturity Date, the principal amount of the Notes plus accrued interest (if any) to (but excluding) such date; or
 - (ii) in relation to any Optional Redemption Date (Call) which falls in the period from (and including) the Issue Date to (and including) the date falling three months prior to the Maturity Date, the higher of (x) the principal amount of the Notes and (y) the Make-Whole Amount, plus accrued interest (if any) to (but excluding) such date; or
 - (iii) such other amount as may be specified in the relevant Final Terms.
- (d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be 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, the rules of each competent 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 redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant 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 Noteholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the relevant Noteholder redeem the Note of such Noteholder on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued up to (but excluding) such date. In order to exercise the option contained in this Condition 9(e), the relevant Noteholder must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Final Terms), deposit with any Paying Agent such Note together with, in the case of Bearer Notes, all unmatured Coupons relating thereto and a duly completed Put Option Notice in

the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

- (f) *Redemption or Purchase on Change of Control:* If the Change of Control Put Option is specified in the relevant Final Terms as being applicable, and a Change of Control Put Event occurs, the Issuer shall, at the option of any Noteholder (the "**Change of Control Put Option**"), redeem or, at the Issuer's discretion, purchase (or procure the purchase of) such Note on the Change of Control Put Date at the Change of Control Redemption Amount together with any interest (if any) accrued up to (but excluding) such Change of Control Put Date. In order to exercise the Change of Control Put Option, a Noteholder must during the Change of Control Put Period, deposit with any Paying Agent the Note of such Noteholder together with, in the case of Bearer Notes, all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(f) may be withdrawn; **provided, however, that** if, prior to the relevant Change of Control Put Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Change of Control Put Date, payment of the redemption or purchase moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(f), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

A "**Change of Control Put Event**" will occur if:

- (i) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006 as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Issuer or any holding company of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006 as amended) in (A) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (B) shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer (each such event being a "**Change of Control**") **provided that** a Change of Control shall not be deemed to have occurred if the relevant event which would otherwise have resulted in a Change of Control has been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; and
- (ii) on the date (the "**Relevant Announcement Date**") that is the earlier of (1) the date of the first public announcement of the relevant Change of Control and (2) the date of the earliest Potential Change of Control Announcement (if any), the Notes carry:
- (A) an investment grade credit rating (Baa3/BBB-, or equivalent, or better) from any Rating Agency (provided by such Rating Agency at the invitation of the Issuer), and such rating from any Rating Agency is within the Change of Control Period either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) or withdrawn and is not within the Change

of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated, in either case, to an investment grade credit rating by such Rating Agency; or

- (B) a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) from any Rating Agency (provided by such Rating Agency at the invitation of the Issuer), and such rating from any Rating Agency is within the Change of Control Period downgraded by one or more notches (for illustration, Ba1/BB+ to Ba2/BB being one notch) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated, in either case, to its earlier credit rating or better by such Rating Agency; or
- (C) no credit rating and a Negative Rating Event also occurs within the Change of Control Period,

provided that if on the Relevant Announcement Date the Notes carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then sub-paragraph (A) will apply; and

- (iii) in making any decision to downgrade or withdraw the rating pursuant to paragraph (A) or (B) above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Potential Change of Control Announcement. Upon receipt by the Issuer or the Trustee of any such written confirmation (or upon receipt by the Issuer of a copy of such written notification from the Trustee), the Issuer shall forthwith give notice of such written confirmation to the Noteholders in accordance with Condition 21 (*Notices*).

If the rating designations employed by any of Standard & Poor's, Moody's or Fitch are changed from those which are described in paragraph (ii) of the definition of "Change of Control Put Event" above, the Issuer shall determine the rating designations of Standard & Poor's, Moody's or Fitch (as appropriate) as are most equivalent to the prior rating designations of Standard & Poor's, Moody's or Fitch and this Condition 9(f) shall be construed accordingly.

Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred, and in any event within 14 days of the occurrence of the relevant Change of Control Put Event, the Issuer shall and, at any time upon the Trustee becoming similarly aware, the Trustee may, if so requested by the Holders of at least one-quarter of the aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution, shall, (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction) give a notice ("**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 21 (*Notices*) specifying the nature of the relevant Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

The Trustee is under no obligation to ascertain whether a Change of Control or a Change of Control Put Event or any event which could lead to the occurrence of or could constitute a Change of Control or Change of Control Put Event has occurred, and, until it shall have notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control or Change of Control Put Event or other such event has occurred.

If 80 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 9(f), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Change of Control Put Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

In this Condition:

"Change of Control Put Date" means the date specified as such in the relevant Change of Control Put Event Notice;

"Change of Control Period" means the period commencing on the Relevant Announcement Date and ending 120 days after the Change of Control or, where a Rating Agency has publicly announced that the Notes are under consideration for rating review or, as the case may be, rating (such public announcement being within the period ending 120 days after the Change of Control), the later of (i) such 120th day after the Change of Control and (ii) the date falling 60 days after such public announcement;

a **"Negative Rating Event"** shall be deemed to have occurred, at any time, if at such time there is no rating assigned to the Notes by a Rating Agency (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the relevant Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Notes or (ii) if the Issuer does so seek and use such endeavours, it is unable to obtain such rating of at least investment grade by the end of the Change of Control Period;

"Potential Change of Control Announcement" means any public announcement or statement by the Issuer or any actual or potential bidder or any adviser thereto relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs; and

"Rating Agencies" means each of the rating agencies of Fitch Ratings ("**Fitch**"), Moody's Investors Service ("**Moody's**") or Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poor's**") and their respective successors to their ratings business.

- (g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above.
- (h) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant 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(h) or, if none is so specified, a Day Count Fraction of 30E/360.

- (i) *Purchase:* The Issuer, any Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** (in the case of Bearer Notes) all unmatured Coupons are purchased therewith.
- (j) *Cancellation:* All Notes so redeemed or purchased by the Issuer, a Guarantor or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with Bearer Notes shall be cancelled and may not be reissued or resold.

10. **Determination or Calculation by Trustee**

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount or Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) at the expense of the Issuer and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee, or an agent on its behalf, shall apply the foregoing Conditions, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all

other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

11. **Payments - Bearer Notes**

This Condition 11 is only applicable to Bearer Notes.

- (a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States 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.
- (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 Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented 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 payment, 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 payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (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 payment; **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 payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, 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 payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid 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 relevant Final Terms specifies that this Condition 11(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 in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(e) (*Redemption at the option of Noteholders*), Condition 9(c) (*Redemption at the option of the Issuer*) or Condition 14 (*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 Bearer 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 Bearer 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 Bearer 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 Bearer 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 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. **Payments - Registered Notes**

This Condition 12 is only applicable to Registered Notes.

- (a) *Principal:* Payments of principal shall be made, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, 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 and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest:* Payments of interest shall be made, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, 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 and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or

deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment.

13. **Taxation**

Gross up: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or a Guarantor 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 imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction or any political subdivision of any of them or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the relevant Guarantor 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:

- (i) held 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 relevant Tax 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 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive; or
- (iii) held 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) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment 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 or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.

Notwithstanding anything to the contrary in the preceding paragraph, none of the Issuer, any Guarantor, any Paying Agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to the Code, any treaty, law, regulation or other official guidance implementing the Code, or any agreement between the Issuer, a Guarantor, a Paying Agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing the Code.

14. **Events of Default**

If any of the following events occurs and is continuing, then 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, in the case of the happening of any of the events mentioned in paragraphs (b) (*Breach of other obligations*), (d) (*Unsatisfied judgment*), (f)(iii) and (f)(iv) (*Insolvency, etc.*), and (h) (*Analogous event*), below, to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases, to the Trustee having been indemnified and/or provided with security and/or prefunded 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 (if any) without further action or formality:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer or any Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 45 days or such longer period as the Trustee may agree after the Trustee has given written notice thereof to the Issuer or the relevant Guarantor(s), as the case may be; or
- (c) *Cross-acceleration of Issuer, Guarantors or Material Subsidiaries*:
 - (i) any Indebtedness of the Issuer, any Guarantor or any Material Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) any Indebtedness of the Issuer, any Guarantor or any Material Subsidiary becomes due and payable prior to its stated maturity as a result of an event of default in relation to such Indebtedness howsoever described; or
 - (iii) the Issuer, any Guarantor or any Material Subsidiary fails to pay when due, or (as the case may be) 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 individually or in the aggregate exceeds the greater of £25,000,000 (or its equivalent in any other currency or currencies) and 2 per cent. of Consolidated Total Assets; or

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) from which no further appeal or judicial review is permissible under applicable law for the payment an aggregate amount in excess of the greater of £25,000,000 (or its equivalent in any other currency or currencies) and 2 per cent. of Consolidated Total Assets is rendered against the Issuer, a Guarantor or a Material Subsidiary and continue(s) unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced*: a secured party takes possession, or an application is made (or documents filed with a court) for the appointment of a receiver, manager or other similar official, or a receiver, manager or other similar officer is appointed, of (i) the whole or a substantial part of the undertaking, assets and revenues of the Issuer; or (ii) the whole or substantially the whole of the

undertaking, assets and revenues of a Guarantor or a Material Subsidiary and, in either case, is not discharged within a period of 45 days after the date(s) thereof; or

- (f) *Insolvency, etc:* (i) the Issuer, a Guarantor or a Material Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed in respect of the Issuer, a Guarantor or any Material Subsidiary or, as the case may be, the whole or substantially the whole of the undertaking, assets and revenues of the Issuer, a Guarantor or a Material Subsidiary, (iii) the Issuer, a Guarantor or a Material Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (or any class of its creditors) or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer, a Guarantor or a Material Subsidiary ceases or threatens to cease to carry on all or substantially the whole of its business, otherwise than, in each case for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent (other than in the case of the Issuer) or on terms approved in writing by the Trustee or by an Extraordinary Resolution; or
- (g) *Winding up etc:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, a Guarantor or a Material Subsidiary, otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent (other than in the case of the Issuer) or on terms approved in writing by the Trustee or by an Extraordinary Resolution; or
- (h) *Analogous event:* any event occurs which under the laws of the jurisdiction of incorporation of the Issuer, a Guarantor or a Material Subsidiary has an analogous effect to any of the events referred to in paragraphs (d) to (g) above; or
- (i) *Guarantee not in force:* the Guarantee of the Notes is not (or is claimed by the Issuer or a Guarantor not to be) in full force and effect.

A certificate signed by two Officers of the Issuer certifying 2 per cent. of Consolidated Total Assets provided for in Conditions 14(c) (*Cross-acceleration of Issuer, Guarantors or Material Subsidiaries*) and (d) (*Unsatisfied judgment*) has been met may be relied upon by the Trustee without liability and without further enquiry or evidence, and if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

15. **Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

16. **Replacement of Notes and Coupons**

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent 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, Note Certificates or Coupons must be surrendered before replacements will be issued.

17. **Trustee and Agents**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Guarantors, the Noteholders and the Couponholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any Guarantor and/or any of the Issuer's or any Guarantor's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any Guarantor and/or any of the Issuer's or any Guarantor's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

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 or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders 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 or Couponholder be entitled to claim, from the Issuer, any Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 13 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 13 (*Taxation*) pursuant to the Trust Deed.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and the Guarantors and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the Conditions by the Calculation Agent, the Trustee or the Quotation Agent will (in the absence of wilful default or manifest error) be binding on the Issuer, the Guarantors, the Paying Agents, the Noteholders and the Couponholders and (in the absence of wilful default) no liability to any such Person will attach to the Calculation Agent, the Trustee or the Quotation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

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

- (i) the Issuer and the Guarantors shall at all times maintain a principal paying agent and a registrar; and

- (ii) the Issuer and the Guarantors shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC; and
- (iii) if a Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantors shall at all times maintain a Calculation Agent; and
- (iv) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and the Guarantors shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

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

18. **Meetings of Noteholders; Modification and Waiver; Substitution**

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider any matters relating to their interests, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and/or a Guarantor or by the Trustee and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing one 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 all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed 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, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification is not materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Any modification, abrogation, waiver, authorisation, determination or substitution pursuant to this Condition 18(b) (*Modification and Waiver*) or Condition 18(c) (*Substitution*) shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter.

- (c) *Substitution:* The Trust Deed contains provisions under which any (i) Holding Company of the Issuer, (ii) Subsidiary of the Issuer, or (iii) Successor in Business of the Issuer may, without the consent of the Noteholders, 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, including a requirement that the Guarantee of the Notes is fully effective (as far as it applies) in relation to the obligations of the new principal debtor under the Trust Deed and the Notes and the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Noteholders.

19. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings and/or other steps or action (including lodging an appeal in any proceedings) as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes or otherwise, but it shall not be bound to do so unless:

- (i) 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
- (ii) it has been indemnified and/or provided with security and/or prefunded to its satisfaction.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

No Noteholder or Couponholder shall be entitled to (i) take any steps or action against the Issuer or any Guarantor to enforce the performance of any of the provisions of the Trust Deed, the Notes or the Coupons or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or any Guarantor, in each case unless the Trustee, having become bound so to take any such action, steps or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

20. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders 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. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

21. **Notices**

- (a) *Bearer Notes:* Notices to the Holders of Bearer Notes 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 Holders of Bearer Notes.
- (b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them (i) by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or (ii), 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, in the case of (i) above, on the second day after the date of mailing or, in the case of (ii) above, on the date of first publication.

- (c) The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading.

22. **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 (c) 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.

23. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant 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), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) 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.

24. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and the Trust Deed and all non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.

Jurisdiction: Each of the Issuer and the Guarantors have in the Trust Deed (i) agreed for the benefit of the Trustee and the Noteholders that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; and (iii) in the case of the Guarantors incorporated outside of the United Kingdom only, have designated persons in England to accept service of any process on its behalf.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

Final Terms dated [•]

Babcock International Group PLC

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

Guaranteed by certain other companies in the Babcock Group

under the £1,800,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 22 September 2014 [and the supplemental Base Prospectus[es] dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. 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 Base Prospectus.

Full information on the Issuer[, the Guarantors] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus and these Final Terms have been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.]

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.

1. (i) Issuer: [•]
- (ii) Guarantor[s]: [•]
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 [•] on [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 [•]].]
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) Specified Denominations: [•] [and integral multiples of [•] in excess thereof up to and including [•]. No notes in definitive form will be issued with a denomination above [•]]
- (ii) Calculation Amount: [•]
6. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [[•]/Issue Date/Not Applicable]
7. Maturity Date: [•]
8. Interest Basis: [[•] per cent. Fixed Rate]
- [EURIBOR]/[LIBOR]/[BBSW] +/- [•] per cent. Floating Rate]
- [Zero Coupon]
- (further particulars specified below in paragraph(s) [13/14/15])
9. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount.
10. Change of Interest or Redemption Basis: [Applicable/Not Applicable]
11. Put/Call Options: [Not Applicable]
- [Investor Put]
- [Issuer Call]
- [Change of Control Put Option]
- [See paragraph [16/17/18] below)]
12. [Date [Board] approval for issuance of Notes [and Guarantees] [respectively]] obtained: [•] [and [•], respectively]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. **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): [[•] [and [•]] in each year up to and including the Maturity Date][adjusted in accordance with [•]/not adjusted]
- (iii) Fixed Coupon Amount(s): [•] per Calculation Amount

- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]/[Not Applicable]
- (v) Day Count Fraction: [Actual/Actual (ICMA) / Actual/365 / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / 30E/360 (ISDA)]
- (vi) Determination Dates [•] in each year
14. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (i) Specified Period: [•]
- (ii) Specified Interest Payment Dates: [•] in each year
- (iii) [First Interest Payment Date]: [•]
- (iv) Business Day Convention: [Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / Floating Rate Convention / No Adjustment]
- (v) Additional Business Centre(s): [Not Applicable/[•]]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) [Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent): [[•] shall be the Calculation Agent]]
- (viii) Screen Rate Determination:
- Reference Rate: [•][•] [EURIBOR/ LIBOR/BBSW]
 - Interest Determination Date(s): [•]
 - Relevant Screen Page: [•]
 - [Relevant Time: [•]
 - Relevant Financial Centre: [•]]
- (ix) ISDA Determination:
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
- (x) Linear Interpolation: [Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]

- (xi) Margin(s): [+/-][•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum
- (xiii) Maximum Rate of Interest: [•] per cent. per annum
- (xiv) Day Count Fraction: [Actual/Actual (ICMA) / Actual/365 / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / 30E/360(ISDA)]

15. **Zero Coupon Note Provisions** [Applicable/Not Applicable]

- (i) Accrual Yield: [•] per cent. per annum
- (ii) Reference Price: [•]
- (iii) Day Count Fraction in relation to Early Redemption Amount: [Actual/Actual (ICMA) / Actual/365 / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / 30E/360(ISDA)]

PROVISIONS RELATING TO REDEMPTION

16. **Call Option** [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[•] / [Par] per Calculation Amount / Make-Whole Amount]
- (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [•] per Calculation Amount
 - (b) Maximum Redemption Amount: [•] per Calculation Amount
- (iv) Notice period: [•]
- (v) Make-Whole Redemption Margin: [•]/[Not Applicable]
- (vi) Reference Security: [•]/[Not Applicable]
- (vii) Quotation Time: [•]

17. **Put Option** [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (iii) Notice period: [•]

18. **Change of Control Put Option** [Applicable/Not Applicable]

19. **Final Redemption Amount of each** [[•] per Calculation Amount/Not Applicable]

Note

20. Early Redemption Amount
21. Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: / per Calculation Amount / Make-Whole Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. 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
- Permanent Global Note exchangeable for Definitive Notes on days' notice/at any time/in the limited circumstances specified in the Permanent Global Note
- [Registered Notes:]**
- Global Registered Note registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]
23. New Global Note: [Yes][No][Not Applicable]
24. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable]/
25. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No]

THIRD PARTY INFORMATION

has been extracted from . Each of the Issuer and the Guarantors 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 , no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By:
Duly authorised

[Signed on behalf of the Guarantors:

By:
Duly authorised]]

Date:

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i) Admission to Trading:

Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [Regulated Market of the London Stock Exchange/[•]] with effect from [•].

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

2. RATINGS

The Notes to be issued [have been/are expected to be] rated:

Ratings:

[[Standard & Poor's: [•]]

[Moody's: [•]]

[Fitch: [•]]

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

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantors] and [its/their] affiliates in the ordinary course of business.]

4. *Fixed Rate Notes only* – YIELD

Indication of yield: [•]/[Not Applicable]

5. *Floating Rate Notes only* - HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR/BBSW] rates can be obtained from Reuters.]

OPERATIONAL INFORMATION

6. ISIN Code: [•]

7. Common Code: [•]

8. Delivery: Delivery [against/free of] payment

9. Names and addresses of additional Paying Agent(s) (if any): [•]

10. Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]

DISTRIBUTION

11. U.S. Selling Restrictions: [Reg. S Category []/[TEFRA C/TEFRA D/ TEFRA not applicable]

USE OF PROCEEDS

The Issuer will use the net proceeds from the issue of each Series of Notes for its general corporate purposes.

INFORMATION ON THE BABCOCK GROUP

INTRODUCTION

Babcock is the UK's leading engineering support services company with customers in the UK and overseas in the defence, energy, emergency services, transport, education, communications, mining and construction sectors. Its customers are mainly central and local governments, regulated bodies, and blue chip companies operating in highly regulated sectors, who own or operate strategically important assets requiring long-term maintenance and upgrade. As at 31 March 2014, the Babcock Group generated Group revenue of £3.3 billion and employed approximately 28,300 staff worldwide across its four divisions: Marine and Technology, Defence and Security, Support Services and International.

HISTORY AND DEVELOPMENT

Babcock was floated on the London Stock Exchange in 1989. Babcock entered the FTSE 100 index in June 2012.

The Babcock Group has its origins in the late 19th century in the development of a boiler making business, which was disposed of in the 1990s. Over the course of the 20th century it entered (and in some cases subsequently exited) a number of engineering-based, defence related and materials handling businesses.

Since 2001, the Babcock Group has been pursuing its strategy of becoming a leading support services business focused on engineering services. Notable steps in the development of the Babcock Group's existing business include the following acquisitions:

- 1997: the acquisition of Rosyth Royal Dockyard on its privatisation;
- 2001: the acquisition of Hunting Defence Services, a defence support services business;
- 2002: the acquisition of Service Group International, an infrastructure support services business;
- 2004: the acquisition of the Peterhouse Group, including its rail, power transmission and telecommunications support businesses;
- between 2006 and 2009: the acquisition of several nuclear support businesses including Alstec Group Limited (May 2006), International Nuclear Solutions PLC (January 2007), Strachan and Henshaw Ltd (April 2008) and UKAEA Limited (September 2009) (which latter included the nuclear site licensee companies Dounreay Site Restoration Limited (now held by Cavendish Dounreay Partnership LLP and Research Sites Restoration Limited);
- 2007: the acquisition of Devonport Management Limited, entailing the acquisition of Devonport Royal Dockyard;
- 2008: the acquisition of Strachan and Henshaw Limited which, in addition to its nuclear engineering support services business, included a defence equipment and technology support services business;
- most notably, in July 2010: the acquisition of VT Group plc for £1.3 billion, an international support services company, which further advanced Babcock's strategy to become the UK's leading engineering support services company by combining two highly complementary businesses to create a business with increased scale and capabilities in its core markets. Following the acquisition of VT Group plc, Babcock undertook a strategic review of all the business units acquired and the VT Services Inc business was identified as non-core. As a result that business was sold in July 2012; and
- 2014: the acquisition of the Avincis Group for approximately £1.6 billion on 16 May 2014. The Avincis Group is a leading provider of helicopter and fixed wing services in mission critical operations such as medical, search and rescue, fire-fighting and civil protection in Europe and a leading supplier of critical offshore crew-change helicopter services to the oil and gas industry in the UK sector of the North Sea. The Avincis Group is part of the Babcock Group's International division (see "*Business Overview – International*" for further details).

There have also been a number of further smaller acquisitions that have added to, extended and complemented the core business of the Babcock Group, including:

- the acquisition of LGE Process for £25.2 million in December 2012. Based in Edinburgh, LGE Process designs and builds plants for processing, storage and handling of liquid gasses and is a leader in the supply of these solutions to the marine and onshore liquid gas sectors;
- the acquisition of Conbras Engenharia Ltda in July 2013 for £22.6 million, including a maximum of £4.4 million deferred consideration and earn out. Conbras Engenharia is a Brazilian company operating in the public and private sector facilities management sector in Brazil;
- the acquisition of Skills2Learn for approximately £5 million in December 2013. Skills2Learn specialises in the delivery of virtual reality and e-learning based training and will enable Babcock's "Skills and Learning" business to offer customers a broader range of innovative training solutions;
- the acquisition of Context Information Security ("**ContextIS**") for £28 million plus deferred consideration of £4 million in December 2013. ContextIS provides specialist technical consultancy services in the cyber security sector; and
- the acquisition of National Training Institute ("**NTI**") in Oman for approximately £12 million in January 2014. NTI provides training solutions for customers in the energy, oil and gas and construction sectors across the Middle East and combined with Babcock's UK training expertise will provide a strong base from which to expand in the region.

BUSINESS OVERVIEW

Babcock International Group PLC is the parent company of the Babcock Group. The Babcock Group's business is organised through four divisions: Marine and Technology, Defence and Security, Support Services and International.

In the financial year ended 31 March 2014, 53 per cent. of the Babcock Group's revenue was attributable to the UK MoD contracts, 30 per cent. to UK civil customers, 11 per cent. to international civil customers and 6 per cent. to international defence customers.

A full list of Babcock's principal subsidiary and associated undertakings which are considered by Babcock to be likely to have a significant effect on the assessment of the assets, liabilities, the financial position and/or the profits and losses of the Babcock Group, is set out below.

Marine and Technology

The Marine and Technology division operates a wide range of strategic shore-based naval support facilities and provides through-life services, engineering support and deep maintenance to the Royal Navy's major warships and nuclear-powered submarines, as well as providing services to customers in commercial markets in the UK and overseas.

Building on its expertise in the UK naval support sector, the division continues to enhance its international presence, providing engineering support and programme management for submarine and surface ship fleets in countries such as Canada, Australia and New Zealand. In other overseas markets, the division is providing design and build support for weapons handling and launch systems for the submarine programmes in South Korea and Spain.

It is also utilising its core capabilities and skills to increase its footprint in the commercial marine and offshore energy sectors where the division is able to provide design and build expertise as well through-life support for high integrity, complex marine assets and infrastructures.

Submarines

As the Royal Navy's strategic support partner, the Babcock Group is the lead support provider of both deep and in-service maintenance, including refuelling and defueling activities, as well as infrastructure support for the UK fleet of nuclear powered submarines. In addition, through the Submarine Enterprise Performance Programme, a partnership between the Babcock Group, the MoD, BAE Systems and Rolls Royce, the Babcock Group works to ensure maximum availability for the submarine fleet. These activities are undertaken at the Babcock Group's Devonport facility and at HMNB Clyde, where the Babcock Group is responsible for the delivery of services.

In Canada, since 2008, the Babcock Group has been delivering the Victoria In-Service Support Contract ("VISSC") to support the Canadian Navy's fleet of four submarines. In Australia, the Babcock Group continues to have a role as through-life support partner for the weapons handling and launch systems on the Collins class of submarines and in 2013 was awarded a key role in the Future Submarine Project IPT.

Surface warships

The Babcock Group undertakes a significant proportion of the deep maintenance and in-service refits and support for the UK surface ship fleet. The Babcock Group is a Tier 1 partner to the MoD within the UK's Surface Ship Support Alliance ("SSSA"). This alliance covers all current and future classes of warships, including Type 45 Destroyers and the new Type 26 Global Combat Ships and Queen Elizabeth Aircraft Carriers ("QEC"). The Babcock Group is also a member of the Aircraft Carrier Alliance ("ACA"), which is an alliance between the MoD and industry created to transform the delivery of large scale projects such as the QEC programme. The Babcock Group has a key role in the QEC programme. It has been responsible for significant elements of the design, the build of a number of the sections and the final assembly and integration of the two vessels at its facility in Rosyth.

In addition to building a number of the sections for the QEC programme, its facility in Appledore, North Devon is fabricating and building Offshore Patrol Vessels for the Irish Navy.

In Australia, the Babcock Group won its first surface ship support contract in 2012 in partnership with UGL Infrastructure Pty Ltd, to provide support to the Australian Navy's fleet of eight ANZAC class frigates.

Naval infrastructure

The Babcock Group has ownership or operational control of key naval infrastructure, across the UK, essential for deep maintenance and in-service support activities undertaken for the Royal Navy, including the Queen Elizabeth Class dock at Rosyth, the syncrolift and Astute jetty at HMNB Clyde and the ballistic nuclear submarine refitting facility, the submarine refit complex, landing craft facilities and frigate refit complex at Devonport.

The Babcock Group has worked with the MoD at HMNB Devonport since 2007 and HMNB Clyde over the last 10 years delivering cost reductions and service improvements. As an experienced nuclear site operator, the Babcock Group also works with its customer to maximise fleet-time engineering support, waterfront support services, estates and facilities management and logistics and transport services. These services are principally delivered through two Warship Support Modernisation Initiative (WSMI) contracts. The Babcock Group is currently in discussions with the MoD regarding a successor to these contracts and is currently working on the basis of interim arrangements until the new contract is agreed.

The Babcock Group, in partnership with Atomic Weapons Establishment ("AWE") and Lockheed Martin, is responsible for the management of strategic weapons services at RNAD Coulport. This 15 year contract was awarded in July 2012.

Commercial

The Babcock Group supplies high integrity, long term and complex through-life engineering solutions to customers within the offshore energy and marine engineering support services sectors, such as a £30 million contract with BP to deliver over 70 subsea structures for its Schiehallion and Loyal developments west of Shetland. Following the acquisition of LGE Process in January 2013, the Babcock Group has a growing presence in the marine and onshore liquid gas sectors, where it offers design and installation of

mechanical, electrical and chemical process equipment for ships, oil and gas platforms and onshore support facilities.

Technology

As an international provider of specialised equipment, systems, full lifecycle engineering support and consultancy services the Babcock Group delivers:

- complex equipment design, development, supply and through-life support or operation; and
- technical engineering and management services which includes:
 - engineering asset management and supply chain services;
 - engineering design, naval architecture and management services;
 - specialist systems design, production and through-life support/operation;
 - systems engineering and specialist analysis; and
 - information management /analytics and collaborative working environments.

The Technology business has three consultancy businesses: Frazer Nash, a multidisciplinary engineering consultancy; LSC, a technical consulting and IT company; and ContextIS, a specialist in the cyber security sector, all operating under their own brand names.

Defence and Security

The Defence and Security division is a leading support provider to all three UK armed forces delivering asset, infrastructure and training support. It supports the MoD's white fleet and the UK Army's construction vehicle fleet and currently provides integrated facilities management to the MoD estate in the UK and Germany. The division is the largest training support provider to the MoD offering expertise in engineering, artisan trades, flight and naval training.

Air

The Babcock Group delivers airfield, operational and engineering support and military aircraft availability to the UK Royal Air Force ("**RAF**") and manages and supports rotary and fixed wing aircraft for the MoD. The Babcock Group also plays a key role in the Future Strategic Tanker Aircraft ("**FSTA**") programme. For example, it was responsible for the delivery of the new Main Operating Base facilities and now provides support to the communications and information systems as part of the through-life service until 2035.

The Babcock Group supports the MoD's Flying Training at the Elementary, Basic and Advanced stages, and is now also supporting the first training packages in the RAF's Advanced Jet Training and Rear Crew Training under the UK Military Flying Training System ("**UKMFTS**") programme. In addition, the Babcock Group maintains and operates simulators used for aircraft and fighter controller training for the Royal Navy, Royal Fleet Auxiliary and overseas navies.

The Babcock Group also provides technical support and supply chain management to the RAF through integrated operational fleet support and air base operational support contracts.

Land and Sea

The Babcock Group provides equipment support, vehicle fleet management and military training to the British Army, and is a leading provider of training services to the MoD.

As a leading supplier of complex, dispersed fleet management, the Babcock Group provides management of and continuity of service for a significant part of the MoD's white fleet through its Phoenix contract awarded in 2011. Further fleet management experience is demonstrated through the ALC joint venture contract with Amey plc to provide and manage the MoD's fleet of construction vehicles worldwide and

also through the Allenby Connaught programme to provide maintenance and fleet management for the MoD's green fleet. The Babcock Group is also responsible for managing and supporting armoured and support vehicles in the British Army's training fleets.

The Babcock Group is the largest private sector provider of military training to all three armed forces in the UK. For over 10 years the Babcock Group has provided training to the Royal Electrical and Mechanical Engineers at the Defence School of Electronic and Mechanical Engineering and the Engineering Command and Leadership Wing at Arborfield and the Defence School of Electronic and Mechanical Engineering at Bordon. At the Armour Centre, Bovington, the Babcock Group manages and operates the Army's main armoured training facility and since 2008, the Babcock Group has been delivering technical, trade and professional training and education for all Royal Engineers, and other parts of the armed services, at the Royal School of Military Engineering.

For the Royal Navy, the Babcock Group delivers a range of courses, training design and support covering areas such as weapon engineering, damage control, chemical, biological, radiological and nuclear training, sea survival and seamanship as well as Phase 1 initial training for ratings and officers. At three sites across the UK, the Babcock Group delivers firefighting training for the Royal Navy, other overseas navies and the UK fire services.

Support Services

The Support Services division has well-established positions across several sectors. The division has three core capabilities: it manages critical assets, delivers complex programmes and provides training for civil government and blue-chip commercial organisations. It is one of the UK's largest private sector training providers and is a leader in the management of critical assets, including vehicle and equipment fleets, global broadcast infrastructure, high-voltage power networks and baggage handling systems. Its reputation for delivering complex programmes extends to the nuclear industry, where its subsidiary, Cavendish Nuclear, delivers decommissioning, new build and power generation support and has the largest nuclear skilled workforce in the UK. The Support Services division is also one of the UK's largest conventional rail track renewals companies.

The division's customer base spans the energy, transport, mobile communications, education and local government sectors. Its customers include the Metropolitan Police Service, the British Broadcasting Corporation ("**BBC**"), National Grid, Heathrow Airport, BMW, Network Rail and several local authorities.

Cavendish Nuclear

Babcock's wholly owned subsidiary, Cavendish Nuclear Limited ("**Cavendish Nuclear**"), is one of the UK's largest nuclear engineering companies providing specialist services to the nuclear industry in the UK and overseas. With offices and sites in the UK, France, Canada and Japan, Cavendish Nuclear offers expertise across all aspects of the nuclear energy life cycle.

In support of the UK's current fleet of nuclear power stations, Cavendish Nuclear is a strategic partner to EDF Energy, working with them on their lifetime extension programme. In the nuclear new build sector, Cavendish Nuclear is working with Hitachi on its programme to deliver a new fleet of nuclear power plants at their sites in Wylfa, on Anglesey, and at Oldbury in Dorset.

In the nuclear decommissioning sector, Cavendish Nuclear's expertise is in the management and delivery of complex dismantling, clean-up and remedial tasks. In 2012, Cavendish Nuclear, in partnership with CH2M Hill, Inc. and URS Corporation, was awarded the contract and appointed as the Parent Body Organisation to decommission and return to its interim end state the UK's former fast reactor research and development centre at Dounreay. At Sellafield, Cavendish Nuclear undertakes decommissioning activities based on its expertise in the design and build of waste treatment facilities, waste management and fuel handling. Cavendish Nuclear also provides nuclear site management at Harwell and Winfrith through Research Site Restoration Limited ("**RSRL**"). On 31 March 2014, the Nuclear Decommissioning Authority ("**NDA**") announced that Cavendish Nuclear, in a joint-venture partnership with Fluor Corporation, had been selected as the preferred bidder in the competition to take ownership of Magnox Ltd and Research Sites Restoration Limited, the Site Licence Companies for 12 UK nuclear sites. This contract is one of the largest and most significant civil nuclear decommissioning contracts to be awarded by the NDA.

Critical Services

This business unit provides through-life fleet and asset management services to a range of customers in the resilience and emergency services, airports, and mining and construction sectors.

For customers in the airports sector, the Babcock Group designs, installs and manages complex baggage handling systems, for example for Heathrow Airports Limited. For British Airways at London's Heathrow airport it also manages the engineering support for its specialist ground support vehicles.

In the resilience and emergency services sector, the Babcock Group is one of the largest providers of support services to the UK's emergency services, managing vehicles, equipment and facilities on behalf of the Metropolitan Police Service, the London Fire Brigade, the Highways Agency and Associated British Ports. On 1 April 2014 the London Fire and Emergency Planning Authority named the Babcock Group as the preferred bidder on a 21 year contract to manage London Fire Brigade's vehicle fleet. The business also delivers civil contingency and resilience services for the National Fire and Rescue Services through its New Dimensions contract.

In September 2011, the Babcock Group entered the mining and construction sector, winning its first management and maintenance contract for the heavy mobile equipment of Lafarge, the construction materials company. This contract has been extended from the UK into North America and the Babcock Group continues to discuss further opportunities for expanding its offering into new geographies for Lafarge and to other companies in the sector.

Integrated Services

Through the Integrated Services business unit, the Babcock Group's Support Services division provides integrated school improvement services and infrastructure and property related services to customers in the UK. The business is also responsible for the delivery of audio and video content for a number of broadcasters, including delivery of the BBC's World Service.

The business unit is also responsible for the Conbras business in Brazil, acquired in 2013, which delivers integrated facilities management services to customers in sectors which include financial services, energy and utilities and health care.

Network Engineering

The Babcock Group undertakes infrastructure projects for customers operating in the highly regulated power, rail and communications infrastructure industries. The Babcock Group operates in the high-voltage electricity transmission and distribution sector in the UK providing design, construction, maintenance and upgrade capabilities. In addition, the Babcock Group designs, builds, operates and maintains infrastructure for the mobile communication network in the UK.

In the rail infrastructure sector the Babcock Group is a leading player and the largest conventional track renewals company in the UK. Key activities comprise traditional track renewal, signalling and control system installation and telecommunications system installation. Through its ABC joint venture with Alstom and Costain, the Babcock Group was awarded two contracts for the overhead line electrification of two regions in Network Rail's £2 billion investment programme. On 12 May 2014 the Babcock Group was also selected to deliver conventional plain line track works across three of Network Rail's regions (Western, Wales and Wessex, and Scotland and London North Western over a five year period of 2014 to 2019).

Skills and Learning

The Babcock Group is one of the largest private sector providers of vocational training in the UK. It delivers a range of training services to customers in the automotive, transport, energy and service sectors including BMW, VW Group, Network Rail and EDF.

International

The principal business of the International division of the Babcock Group was its position as a leading supplier of engineering support services to the energy, mining and construction industries in South Africa. However, the International division has now been much expanded following the acquisition of the

Avincis Group for approximately £1.6 billion (including £705 million of assumed debt) in May 2014 (the "**Acquisition**") which was partly funded by a rights issue raising approximately £1.1 billion (the "**Rights Issue**").

In South Africa, the Babcock Group is responsible for the construction, erection and maintenance of high-voltage power lines and provides engineering support to the power stations of Eskom, South Africa's power utility company. Since 2000, the Babcock Group has been the exclusive distributor for Volvo construction equipment in South Africa, and is developing its dealership network for DAF Trucks. Having established an office in Mozambique in connection with its activities for Volvo, the Babcock Group now has branches across South Africa, Mozambique and Zambia and is supporting other independent dealerships in South Africa, Botswana, Namibia and Swaziland. The division also has a growing crane and plant hire business, providing cranes and plant for major infrastructure and construction programmes.

The Avincis Group is a leading provider of helicopter and fixed wing services in mission critical operations such as medical, search and rescue, fire-fighting and civil protection in Europe and a leading supplier of critical offshore crew-change helicopter services to the oil and gas industry in the UK sector of the North Sea.

The Avincis Group operates through three business sectors:

- ***Life and Rescue services***: emergency medical services and search and rescue missions;
- ***Safety and Environmental services***: fire-fighting support, law enforcement, disaster intervention and maintenance services; and
- ***Energy Support services***: assistance to oil platform operations by transporting employees, provisions and meals to the platforms.

Its services are provided predominantly to blue-chip corporations, public administrations (principally national and regional governments) and charities on medium to long-term contracts.

The International division also operates in the Middle East. For example, in Oman, the division provides military flight maintenance and support to the Royal Oman Air Force.

STRATEGY

Babcock is the UK's leading engineering support services company. Its objective is to grow from this position in both the UK and overseas as well as to deliver superior and sustainable value for its shareholders. Babcock aims to achieve this strategy by creating and growing a balanced portfolio of businesses that:

- work for governments, public sector organisations, regulated bodies and blue-chip companies;
- provide technical services that are critical, complex and bespoke;
- have long-term integrated output or availability contracts, balancing risk and reward;
- are customer-focused and work collaboratively;
- are, or are capable of becoming, top three in their marketplace; and
- have a strong health and safety focus.

COMPETITIVE ENVIRONMENT

In most of its principal activities and geographic areas of operation, the Babcock Group experiences competition from large international and national companies. The Babcock Group's competitors vary by division and business unit, although some competitors span more than one division. It has four main competitor groupings: defence original equipment manufacturers; construction and facilities management companies; support services generalists and international engineering, procurement and construction companies. The Babcock Board (the "**Board**") believes that the Babcock Group has a strong competitive

position and that this is a result of the combination of: a strong customer focus; empathy and alignment with customers' objectives; long-term integrated output or availability contracts; the depth and breadth of its engineering capabilities; its strong market position and its know-how, assets and capabilities.

PROPERTY

The Babcock Group's principal facilities are located at the Rosyth and Devonport dockyards.

The Rosyth site is owned by Babcock's subsidiary, Rosyth Royal Dockyard Limited ("**RRDL**"), and operated by Babcock Marine (Rosyth) Limited. At the Rosyth site the Babcock Group is engaged in:

- (i) the fabrication and assembly of the Queen Elizabeth Class aircraft carriers;
- (ii) the operation of nuclear facilities for the MoD;
- (iii) the storage of laid up submarines;
- (iv) other engineering services; and
- (v) dockyard port operations.

Devonport Royal Dockyard is owned by Babcock's subsidiary, Devonport Royal Dockyard Ltd ("**DRDL**"), and is located next to HMNB Devonport, a major operational naval base that is owned by the MoD, for which the Babcock Group provides a range of engineering and logistic services. The Devonport site is the only UK facility equipped for the refitting, refuelling and defuelling of Royal Navy nuclear-powered submarines and it also has a number of docks equipped for the docking and deep maintenance of major surface warships. Supported by a wide range of engineering workshops, it carries out (i) refits and dockings on nuclear powered submarines, (ii) defuelling and de-equipping of end-of-life nuclear-powered submarines, (iii) refits and dockings of major surface warships and smaller surface craft, (iv) the supply and overhaul of marine equipment and related systems, (v) other manufacturing and assembly activities on military and commercial equipment, and (vi) complex infrastructure and facility operations and upgrades.

The articles of association of RRDL and DRDL grant the MoD as the holder of a special share in each of those companies certain rights in certain circumstances. Such rights include the right to require the sale of shares in, and the right to remove directors of, the company concerned.

The circumstances when such rights might arise include where the MoD considers that unacceptable ownership, influence or control (domestic or foreign) has been acquired over the company in question and that this is contrary to the essential security interests of the UK. This might apply, for example, in circumstances where any non-UK person(s) directly or indirectly acquire control over more than 30 per cent. of the shares of the company, though such a situation is not of itself such a circumstance unless the MoD in the given situation considers it to be so. Any level of ownership by particular foreign or domestic persons may, on the facts of the case, be so treated.

Babcock believes that RRDL presently has the right under its articles of association to request that the special share held by the MoD in RRDL be redeemed.

The material properties owned by the Babcock Group are as follows:

Location	Description and Tenure	Use	Building /site use area
Rosyth Royal Dockyard and Rosyth Business Park, Rosyth, Scotland	Dockyard, Dockyard Port and Business Park (Freehold)	Maintenance and construction of surface warships. Fabrication and assembly of the Queen Elizabeth Class aircraft carriers. Storage of laid up nuclear-powered submarines. Engineering workshops,	Approximately 1,218,104 square metres

<u>Location</u>	<u>Description and Tenure</u>	<u>Use</u>	<u>Building /site use area</u>
		business park.	
Devonport Royal Dockyard, Plymouth, England	Dockyard, Dockyard Port (Freehold)	Dockyard port operations. Maintenance of nuclear powered submarines and surface warships. Engineering workshops, storage and staff parking.	Approximately 905,278 square metres

As disclosed above, the existing or planned material tangible fixed assets owned or leased by the Babcock Group are those assets incorporated in the infrastructure or operation of the two principal dockyards.

The net book value of the tangible fixed assets of the Babcock Group as at 31 March 2014 was £252.1 million.

CONTRACTS, PATENTS AND LICENCES

Contracts

The majority of the Babcock Group's revenue comes, directly or indirectly, from UK government customers, particularly the MoD, and other UK public sector bodies and agencies, through various contracts across different businesses, which together are essential to the business of the Babcock Group as a whole, as are its borrowing facilities with banks and other lenders.

Patents and Licences

The Babcock Group owns an intellectual property portfolio which includes a number of UK and foreign patents, as well as unpatented know-how, trademarks and copyrights, all of which contribute to the preservation of the Babcock Group's competitive position in the market place. Babcock does not believe that the loss of any patent would have a material adverse effect on the Babcock Group's business, financial condition or operating results.

REGULATION

The Babcock Group is subject to various laws and regulations that are relevant to the industries in which it operates in the UK and other jurisdictions in which it operates its business. These include restrictions on the sale, export and sharing of technology and the disclosure of information (particularly in respect of its Marine and Technology and Defence and Security divisions), and health and safety and environmental laws and regulation across its business divisions. The helicopter and aircraft industry is subject to a high degree of international, European and UK government regulation covering most aspects of helicopter operations. These govern operational standards (relating to safety, security, aircraft noise and maintenance) as well as commercial activity. Standards and compliance are monitored through regular inspections.

The Babcock Group has a wide range of licences, permissions and other consents granted by various regulatory and other public bodies in connection with its business. Some of the licences, permissions and other consents held by members of the Babcock Group apply generally to activities carried on by specific Babcock Group companies; others only apply to specific occurrences or activities on specified sites or by specified individuals (for example certain Babcock Group sites need licences to deal with radioactive and explosive substances, consents to discharge waste water and incinerate waste, licences for vehicles and export and import licences). At any given time a number of applications will be in place to renew or replace existing licences, permissions and other consents and to obtain new licences, permissions and consents for other activities.

The Avincis Group is required to hold Aircraft Operating Licences to operate its principal business and is therefore subject to the Regulation. The Regulation requires that a holder of an Aircraft Operating License is majority owned and effectively controlled by EEA nationals. In the event that the relevant

undertaking ceases to be owned and effectively controlled by EEA nationals, this could lead to aviation regulators refusing, withholding, suspending or revoking the relevant operating licence which in turn could have a material adverse effect on the Babcock Group's business, financial condition and/or operation.

The Babcock Group recognises that compliance with laws and regulations is vital for the success and regulation of its business and seeks to establish and maintain good working relationships with all regulatory and other public bodies with which it deals.

Nuclear Industry

The UK nuclear industry is subject to regulation by a number of independent regulators:

- the Office for Nuclear Regulation (the "**ONR**") is responsible for the regulation of activities on nuclear licensed sites under, in particular, Health and Safety at Work legislation and the Nuclear Installations Act 1965 (the "**NIA**"). The ONR grants licences to operate nuclear licensed sites, and is also responsible for the security of civil nuclear sites and places requirements in relation to security, often under international agreements, on site operators.
- the UK Defence Nuclear Safety Regulator (the "**DNSR**") who is accountable to the Secretary of State for Defence and authorises defence nuclear activities to be undertaken;
- the UK Environment Agency (the "**EA**") regulates both radioactive and non-radioactive discharges to the environment from nuclear sites in England and Wales. The EA does so under the Environment Protection Act; and
- the Scottish Environment Protection Agency (the "**SEPA**") holds similar responsibilities to the EA in Scotland.

On the civil nuclear side, Cavendish Nuclear, a wholly owned subsidiary of Babcock, provides nuclear site management for Dounreay Site Restoration Limited (Britain's former centre for fast reactor research and development) ("**DSRL**") through Babcock Dounreay Partnership, its joint venture with CH2M Hill and URS and at Harwell and Winfrith through Research Site Restoration Limited ("**RSRL**"). Both DSRL and RSRL are site licence companies and are licensed to operate nuclear sites by the ONR. In addition, following its successful bid along with its joint venture partner, Fluor, Cavendish Nuclear, via its joint venture with Fluor, will also provide nuclear site management to 10 Magnox nuclear power station sites as well as the research sites of RSRL.

On the defence nuclear side, the Babcock Group's nuclear activities at Devonport and Rosyth are licensed by the ONR. In addition, certain of the Babcock Group's activities at Devonport and its activities at Faslane (those activities relating to nuclear powered submarines) are licensed by the DNSR.

All of the Babcock Group's nuclear activities fall under the regulation of the EA or the SEPA.

Under the NIA, a site operator, such as Babcock at Devonport and Rosyth, DSRL at Dounreay and RSRL at Harwell and Winfrith, is liable for the consequences of nuclear incidents on the site for which it holds a licence, regardless of fault. The liability of a site licence holder is capped at £140 million for each nuclear occurrence and claims may be brought against it up to 10 years after an occurrence. The site licence holder must maintain insurance to cover this potential liability. At civil sites, this insurance is maintained by the UK Nuclear Decommissioning Authority, the authority established by the Energy Act 2004 to manage the clean-up of the UK's civil nuclear legacy. At Rosyth and Devonport, the Babcock Group relies on indemnities provided by the MoD to cover its statutory liabilities. Claims above the £140 million cap are met by the UK government.

EMPLOYEES

As at 31 March 2014, the Babcock Group employed approximately 28,300 staff worldwide. As at 31 March 2013, the Babcock Group employed approximately 26,155.

The Babcock Group has recognition agreements with a number of trade unions including Unite, Prospect, GMB and the National Union of Rail, Maritime and Transport Workers. As at 31 March 2014, approximately 50 per cent. of the Babcock Group's employees worked for companies and/or sites which

were covered by collective agreements with trade unions (although employees working in an environment covered by a collective agreement are not necessarily members of trade unions).

INSURANCE

The Babcock Group maintains insurance coverage which is mostly negotiated on a Group-wide basis. Coverage includes employer's liability, workers compensation, property damage, business interruption, public and product liability and motor vehicle liabilities in all of the countries in which the Babcock Group operates. The Babcock Group has not made any material claims under any of its insurance policies in the last three years.

Taking into account the nature of the Babcock Group's business, the Board believes that the level of insurance for the Babcock Group is in line with industry standards, and that the Babcock Group is compliant with any contractual requirements for insurance cover imposed by customers, where applicable.

SIGNIFICANT SUBSIDIARIES

The Issuer is the parent company of the Babcock Group.

The following is a list of the principal subsidiaries and associated undertakings of Babcock (each of which is considered by Babcock to be likely to have a significant effect on the assessment of the assets, liabilities, the financial position and/or the profits and losses of the Babcock Group) as at the Latest Practicable Date.

The businesses listed below operate principally in the country in which they are incorporated.

<u>Name of Subsidiary Undertaking</u>	<u>Country of origin/ incorporation</u>	<u>Percentage holding of shares and voting rights</u>	<u>Nature of Business</u>
Babcock Marine (Rosyth) Ltd.....	Scotland	100	Trading company.
Rosyth Royal Dockyard Ltd	Scotland	99.999	Owner of Rosyth dockyard.
Babcock Marine (Devonport) Ltd.....	England and Wales	100	Trading company.
Devonport Royal Dockyard Ltd.....	England and Wales	99.999	Maintains Royal Navy ships and provides support services to naval base.
Babcock Marine (Clyde) Ltd	Scotland	100	Trading company.
LSC Group Ltd	England and Wales	100	Consultancy and project management.
Frazer-Nash Consultancy Ltd	England and Wales	100	Systems and engineering technology services.
Appledore Shipbuilders (2004) Ltd.....	England and Wales	100	Shipbuilding.
Babcock (Pty) Ltd.....	Australia	100	Engineering and maintenance support.
Babcock Integrated Technology Ltd	England and Wales	100	Design, supply and installation of specialist handling equipment.
Air Power International Ltd	Scotland	100	Compressed air management and support services.
Babcock Support Services Ltd.....	Scotland	100	Support services and facilities management.
Babcock Flagship Ltd	England and Wales	100	Naval training services.
Babcock Aerospace Ltd	England and Wales	100	Airfield support services.
Babcock Land Ltd.....	England and Wales	100	Fleet management and training services.
Babcock Land (Whitefleet Management) Ltd.....	England and Wales	100	Contract management services.
Cavendish Nuclear Limited	England and Wales	100	Engineering solutions and services.
Babcock Airports Ltd.....	England and Wales	100	Airport support services.
Babcock Rail Ltd	England and Wales	100	Rail infrastructure repair and maintenance.
Babcock Networks Ltd	England and Wales	100	Powerline erection and maintenance.
Babcock Communications Ltd.....	England and Wales	100	Communication services.
Babcock Africa Services (Pty) Ltd.....	South Africa	100	Equipment sales, hire and maintenance.
Holdfast Training Services Ltd	England and Wales	74	Military training.

<u>Name of Subsidiary Undertaking</u>	<u>Country of origin/ incorporation</u>	<u>Percentage holding of shares and voting rights</u>	<u>Nature of Business</u>
ALC (Superholdco) Ltd	England and Wales	50	PFI operator.
Airtanker Ltd	England and Wales	13.3	In-flight refuelling support.
Ascent Flight Training (Holdings) Ltd.....	England and Wales	50	Flight training.
Cavendish Dounreay Partnership Ltd.....	England and Wales	50	Nuclear site decommissioning.
Inaer Helicopteros, S.A.U.....	Spain	100	Aircraft operator.
Inaer Aviation Italia, S.P.A.....	Italy	100	Aircraft operator.
Bond Offshore Helicopters Ltd.....	England and Wales	100	Aviation services.
Bond Aviation Group Ltd	England and Wales	100	Aviation services.
Inaer Fleet Management S.A.U.....	Spain	100	Leasing of aircraft.

LITIGATION AND INVESTIGATIONS

The Babcock Group is party to certain legal proceedings and investigations, most of which are routine and all of which are incidental to its business. Some matters involve claims for damages as well as other relief. Other than the proceedings set out below, the Babcock Group believes that, if any or all of these legal proceedings or investigations are determined against it, they will not have a material adverse effect on its financial position or results of operations. However, the outcome of legal proceedings can be extremely difficult to predict with certainty. The main ongoing proceedings and investigations are set out below.

- (a) A Fatal Accident Inquiry ("**FAI**") under Scottish law, into a fatal accident in the North Sea on 1 April 2009 caused by a catastrophic gearbox failure in an AS332L2 Super Puma operated by Bond Offshore Helicopters Limited, concluded in mid March 2014. Prior to the FAI being held, The Lord Advocate had stated that there would be no prosecutions in relation to the accident, and following the publication of the findings a Crown Office spokesman said that decision remained the correct one. All liability claims arising out of the accident have been settled, with the exception of one passenger liability claim which is insured.
- (b) Following the ditching of an EC 225 Super Puma on 10 May 2012, solicitors acting for the passengers on board the aircraft have served notice of their intention to submit passenger liability claims but as yet none of these claims have been quantified. None of the passengers on board sustained serious injury, and the Babcock Group expects the amount of the claims to be covered by its aviation liability insurance.
- (c) The Air Accident Investigation Branch is carrying out an investigation into the 29 November 2013 helicopter accident in Glasgow, which resulted in ten fatalities, several persons injured and significant property damage. A separate investigation into the accident is also being carried out by Police Scotland under the direction of the Procurator Fiscal. The Babcock Group is cooperating with the Air Accident Investigation Branch and Police Scotland, and other authorities that are investigating the causes of the accident and are waiting to know the outcome of these investigations. In addition, Bond Air Services Limited has received several intimations of civil claims for compensation for personal injury and property damage from solicitors acting for people impacted by the accident, including, without limitation, a potential employers' liability claim in respect of the Bond Air Services Limited pilot who died in the accident. While waiting to know the final outcome of these investigations, Bond Air Services Limited's insurance company has informed it that, without any acknowledgement of liabilities (other than strict liability of Bond Air Services Limited as operator under the applicable laws and regulations), the insurance company has started to make certain interim payments to give support to some of the people impacted by the accident that had intimated a civil claim.
- (d) On 8 March 2011, the Spanish tax authorities initiated a tax audit with respect to Avincis Mission Critical Services Holding, S.L. and the deductibility for corporate income tax ("**CIT**") purposes of certain expenses in 2007 and 2008. The tax audit resulted in an "assessment in disagreement" amounting to a CIT quota of around €5 million (plus a sum for interest/late payment penalties, if applicable). On 18 January 2013, Avincis Mission Critical Services Holding, S.L. appealed the assessment before the economic-administrative courts, which is currently pending resolution. The assessment is currently precautionary and suspended until a final decision is issued.

- (e) Under the terms of the Avincis Group's acquisition of Helitalia, SpA., an intra-group loan was left outstanding between Helitalia, SpA. and the seller for an amount of €4 million, repayable in four tranches. Following repayment of the second tranche, the Avincis Group discovered an error in the balance sheet of Helitalia, SpA. which had not been disclosed at the time of the acquisition. The Avincis Group therefore ceased repayment of further tranches pending resolution of the dispute. The seller brought a claim against the Avincis Group for the outstanding amount payable under the loan (€2 million) and the Avincis Group has brought a counterclaim for an amount of €4.5 million. The Avincis Group has made a provision in its accounts for an amount of €2 million in connection with this matter.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Babcock Group and are, or may be, material and contain provisions under which the Issuer, the Guarantors or any member of the Babcock Group has an obligation or entitlement which is, or may be, material to the ability of the Issuer or the Guarantors to meet their obligations in respect of the Notes:

1. **Existing Facility Agreement:** Each of Babcock, Air Power International Ltd, Appledore Shipbuilders (2004) Ltd, Babcock Aerospace Ltd, Babcock Airports Ltd, Babcock Communications Ltd, Babcock Integrated Technology Ltd, Babcock Land Ltd, Babcock Land (Whitefleet Management) Ltd, Babcock Marine (Rosyth) Ltd, Babcock Marine (Clyde) Ltd, Babcock Networks Ltd, Babcock Pty Ltd, Babcock Rail Ltd, Babcock Support Services Ltd, Cavendish Nuclear Limited, Devonport Royal Dockyard Ltd, Frazer-Nash Consultancy Ltd, LSC Group Ltd, Rosyth Royal Dockyard Ltd and Babcock Flagship Ltd entered into an English law governed syndicated facility agreement on 17 June 2011 between Australia and New Zealand Banking Group Ltd, Banc of America Securities Ltd, Barclays Corporate, HSBC Bank plc, J.P. Morgan Ltd, Lloyds TSB Bank plc and The Royal Bank of Scotland plc as mandated lead arrangers, The Royal Bank of Scotland plc as facility agent and certain financial institutions named therein as lenders, pursuant to which the lenders made available to Babcock a £500,000,000 multicurrency revolving credit facility.
2. **Bridge Facility Agreement:** Each of Babcock, Air Power International Ltd, Appledore Shipbuilders (2004) Ltd, Babcock Aerospace Ltd, Babcock Airports Ltd, Babcock Communications Ltd, Babcock Integrated Technology Ltd, Babcock Land Ltd, Babcock Land (Whitefleet Management) Ltd, Babcock Marine (Rosyth) Ltd, Babcock Marine (Clyde) Ltd, Babcock Networks Ltd, Babcock Pty Ltd, Babcock Rail Ltd, Babcock Support Services Ltd, Cavendish Nuclear Limited, Devonport Royal Dockyard Ltd, Frazer-Nash Consultancy Ltd, LSC Group Ltd, Rosyth Royal Dockyard Ltd and Babcock Flagship Ltd entered into an English law governed bridge facility agreement on 27 March 2014 between J.P. Morgan Ltd, Lloyds Bank plc, Barclays Bank PLC and HSBC Bank plc as mandated lead arrangers and bookrunners and Lloyds Bank plc as facility agent and certain financial institutions named therein as lenders, pursuant to which the lenders have made available to Babcock a £383,000,000 multicurrency bridge loan facility and a €620,000,000 bridge loan facility.
3. **Note Purchase Agreement:** on 17 March 2011, Babcock issued to 21 financial institutions (i) US\$150 million 4.94 per cent. Series A Senior Notes due 17 March 2018 and (ii) US\$500 million 5.64 per cent. Series B Senior Notes due 17 March 2021 pursuant to a note purchase agreement entered into by each of Babcock, Air Power International Ltd, Appledore Shipbuilders (2004) Ltd, Babcock Aerospace Ltd, Babcock Airports Ltd, Babcock Communications Ltd, Babcock Integrated Technology Ltd, Babcock Land Ltd, Babcock Land (Whitefleet Management) Ltd, Babcock Marine (Rosyth) Ltd, Babcock Marine (Clyde) Ltd, Babcock Networks Ltd, Babcock Pty Ltd, Babcock Rail Ltd, Babcock Support Services Ltd, Cavendish Nuclear Limited, Devonport Royal Dockyard Ltd, Frazer-Nash Consultancy Ltd, LSC Group Ltd, Rosyth Royal Dockyard Ltd and Babcock Flagship Ltd.
4. **Multi-Currency Note Facility Agreement:** on 21 January 2010, Babcock issued two series of New York law governed loan notes: (i) £60 million 4.995 per cent. Series A Shelf Notes due 21 January 2017; and (ii) £40 million 5.405 per cent. Series B Shelf Notes due 21 January 2020 to Prudential Investment Management Inc. (and certain of its affiliates) under a multi-currency note facility agreement entered into by each of Babcock, Air Power International Ltd, Appledore

Shipbuilders (2004) Ltd, Babcock Aerospace Ltd, Babcock Airports Ltd, Babcock Communications Ltd, Babcock Integrated Technology Ltd, Babcock Land Ltd, Babcock Land (Whitefleet Management) Ltd, Babcock Marine (Rosyth) Ltd, Babcock Marine (Clyde) Ltd, Babcock Networks Ltd, Babcock Pty Ltd, Babcock Rail Ltd, Babcock Support Services Ltd, Cavendish Nuclear Limited, Devonport Royal Dockyard Ltd, Frazer-Nash Consultancy Ltd, LSC Group Ltd, Rosyth Royal Dockyard Ltd and Babcock Flagship Ltd.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma financial information in respect of the Issuer set out below illustrates the impact of the Rights Issue and the Acquisition of the Avincis Group on the pre-acquisition net assets of the Issuer as at 31 March 2014 as if the Rights Issue and the Acquisition had taken place at that date, and on the pre-acquisition income statement of the Issuer for the year ended 31 March 2014 as if the Rights Issue and the Acquisition had taken place at the beginning of the financial year ended 31 March 2014. The pro forma financial information in respect of the Acquisition of the Avincis Group is based on the Avincis Group audited consolidated financial information for the financial year ended 31 December 2013, which was prepared in accordance with the Issuer's accounting standards and is incorporated by reference in this Base Prospectus (see "*Information Incorporated by Reference*").

The unaudited *pro forma* information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, represent the Issuer's actual financial position or results.

The unaudited *pro forma* information does not constitute financial statements within the meaning of Section 434 of the Companies Act 2006. Potential investors in Notes should read the whole of this document and not rely solely on the summarised financial information contained in this section. PricewaterhouseCoopers LLP's report on the unaudited *pro forma* information is set out at the end of this section.

The unaudited *pro forma* financial information does not purport to represent what the Issuer's financial position and results of operations actually would have been on the assumed dates or any other date nor do they purport to represent the results of operations for any future period or the financial condition at any future date.

In addition to the matters noted above, the unaudited *pro forma* financial information does not reflect the effect of anticipated synergies and efficiencies associated with the Acquisition.

Unaudited Pro Forma net assets statement

	Adjustment				Total
	Babcock Group as at 31 March 2014	Rights Issue	Avincis Group as at 31 December 2013	Acquisition Adjustment	
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	
	<i>£m</i>				
Non-current assets					
Goodwill	1,609.6	-	163.3	773.3	2,546.2
Other intangible assets	275.8	-	26.7	-	302.5
Plant and equipment.....	252.1	-	632.6	-	884.7
Investment in joint ventures and associates....	52.3	-	8.4	-	60.7
Loans to joint ventures and associates.....	50.6	-	-	-	50.6
Retirement benefits	15.2	-	-	-	15.2
Trade and other receivables	1.2	-	38.4	-	39.6
IFRIC 12 financial assets	20.5	-	-	-	20.5
Other financial assets	-	-	10.8	-	10.8
Deferred tax	46.6	-	38.9	-	85.5
	2,323.9	-	919.1	773.3	4,016.3
Current assets					
Inventories	105.9	-	23.0	-	128.9
Trade and other receivables	577.5	-	100.2	-	677.7
Income tax recoverable	28.0	-	-	-	28.0
Other financial assets	9.6	-	0.4	-	10.0
Cash and cash equivalents.....	86.3	1,076.1	143.6	(940.7)	365.3
	807.3	1,076.1	267.2	(940.7)	1,209.9
Total assets	3,131.2	1,076.1	1,186.3	(167.4)	5,226.2
Non-current liabilities					
Bank and other borrowings	649.4	-	802.9	-	1,452.3
Trade and other payables	9.2	-	97.8	(97.8)	9.2
Deferred tax liabilities.....	2.4	-	43.3	-	45.7
Other financial liabilities.....	12.3	-	12.2	-	24.5
Retirement liabilities.....	282.9	-	-	-	282.9
Provisions for other liabilities	95.0	-	6.4	-	101.4
	1,051.2	-	962.6	(97.8)	1,916.0
Current Liabilities					
Bank and other borrowings	17.7	-	40.8	-	58.5
Trade and other payables	974.4	-	131.7	-	1,106.1
Income tax payable	-	-	-	-	-
Other financial liabilities.....	11.7	-	0.4	-	12.1
Provision for other liabilities.....	50.1	-	1.8	-	51.9
	1,053.9	-	174.7	-	1,228.6
Total Liabilities	2,105.1	-	1,137.3	(97.8)	3,144.6
Net Assets	1,026.1	1,076.1	49.0	(69.6)	2,081.6

Notes

(1) The Babcock Group financial information has been extracted, without material adjustment, from the audited consolidated financial statements of the Babcock Group for the year ended 31 March 2014.

(2) The net proceeds of the Rights Issue of £1,076.1 million are calculated on the basis that the Company issued 139,259,204 New Ordinary Shares at a price of 790 pence per share, net of estimated expenses in connection with the Rights Issue of approximately £24.0 million, which have been capitalised.

(3) The financial information on the Avincis Group has been extracted, without material adjustment, from the Avincis Group audited consolidated financial information for the financial year ended 31 December 2013, which was prepared in accordance with the Issuer's accounting policies and is incorporated by reference in this Base Prospectus (see "Information Incorporated by Reference") using the closing exchange rate at 31 December 2013 (€1.202: £1).

(4) The adjustments arising as a result of the Acquisition are set out below:

- a. The adjustment to current assets of £940.7 million represents the aggregate of the £920.1 million cash consideration payable for the Acquisition of (€1,100 million translated at the exchange rate of €1.1955: £1 being the closing exchange rate as at 25 March 2014) and £20.6 million of estimated transaction costs.
- b. The adjustment to non-current trade and other payables of £97.8 million represents the removal of the Avincis shareholder loan which was repaid at Acquisition.
- c. The adjustment to goodwill has been calculated as follows:

	£m
Consideration	£ 920.1m
Net assets acquired	(£49.0m)
Shareholder loans	(£97.8m)
Pro forma goodwill adjustment	£ 773.3m

The Acquisition has been accounted for using the acquisition method of accounting. The excess of consideration over the book value of the net assets acquired has been reflected as goodwill. A fair value exercise has not yet been completed. Therefore, no account has been taken of any fair value adjustments that may arise pursuant to the Acquisition.

(5) No adjustment has been made to reflect the trading results of the Babcock Group since 31 March 2014 or of the Avincis Group since 31 December 2013.

Unaudited Pro Forma Income Statement

	Adjustments				Total
	Babcock Group for the year ended 31 March 2014	Rights Issue	Avincis Group for the year ended 31 December 2013	Acquisition Adjustments	
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	
	<i>£m</i>				
Total Revenue	3,547.6	-	494.5	-	4,042.1
Less: joint venture and associates revenue.....	226.6	-	13.3	-	239.9
Group revenue	3,321.0	-	481.2	-	3,802.2
Group					
Operating profit before amortisation of acquired intangibles and exceptional items	317.2	-	57.0	-	374.2
Amortisation of acquired intangibles	(59.2)	-	(1.7)	-	(60.9)
Exceptional items.....	(24.9)	-	(25.6)	(20.6)	(71.1)
Group operating profit	233.1	-	29.7	(20.6)	242.2
Joint ventures and associates					
Share of operating profit	21.9	-	4.1	-	26.0
Investment income.....	37.3	-	-	-	37.3
Amortisation of acquired intangibles	(6.2)	-	-	-	(6.2)
Finance costs.....	(25.1)	-	(1.5)	-	(26.6)
Income tax expense.....	(7.0)	-	(1.1)	-	(8.1)
Share of results of joint ventures and associates	20.9	-	1.5	-	22.4
Group and joint ventures and associates					
Operating profit before amortisation of acquired intangibles and exceptional items	339.1	-	61.1	-	400.2
Investment income	38.8	-	-	-	38.8
Underlying operating profit	377.9	-	61.1	-	439.0
Amortisation of acquired intangibles	(65.4)	-	(1.7)	-	(67.1)
Exceptional items.....	(24.9)	-	(25.6)	(20.6)	(71.1)
Group investment income	(1.5)	-	-	-	(1.5)
Joint ventures and associate finance costs.....	(25.1)	-	(1.5)	-	(26.6)
Joint ventures and associates income tax expense.....	(7.0)	-	(1.1)	-	(8.1)
Group operating profit plus share of joint ventures and associates	254.0	-	31.2	(20.6)	264.6
Finance costs					
Investment income.....	1.5	-	-	-	1.5
Retirement benefits interest.....	(10.9)	-	-	-	(10.9)
Finance costs.....	(35.2)	-	(91.4)	9.5	(117.1)
Finance income.....	9.4	-	1.7	-	11.1
Profit before tax	218.8	-	(58.5)	(11.1)	149.2
Income tax expense.....	(30.8)	-	4.6	2.0	(24.2)
Profit for the year from continuing obligations	188.0	-	(53.9)	(9.1)	125.0
Discontinued operations					
Loss for the year from discontinued operations attributable to owners of the parent	-	-	(12.0)	-	(12.0)
Profit for the year	188.0	-	(65.9)	(9.1)	113.0
Attributable to:					
Owners of the parent.....	180.5	-	(64.4)	(9.1)	107.0
Non-controlling interest	7.5	-	(1.5)	-	6.0

Notes

(1) The Babcock Group financial information has been extracted, without material adjustment, from the audited consolidated financial statements of the Babcock Group for the year ended 31 March 2014.

- (2) No adjustment has been made to reduce the finance costs for the year on the basis that the proceeds of the Rights Issue would not have been used to repay debt.
- (3) The financial information of the Avincis Group has been extracted, without material adjustment, from the Avincis Group audited consolidated financial information for the financial year ended 31 December 2013, which was prepared in accordance with the Issuer's accounting policies and is incorporated by reference in this Base Prospectus (see "*Information Incorporated by Reference*") using the average exchange rate for the year to 31 December 2013 (€1.177: £1).
- (4) The adjustments arising as a result of the Acquisition are set out below:
- a. The adjustment represents a one-off exceptional item of (£20.6 million) reflecting estimated transaction costs payable in respect of the Acquisition.
 - b. The credit to finance costs of £9.5 million represents the interest payable on the Avincis shareholder loan which was repaid at Acquisition. Since the shareholder loan was repaid on acquisition, no interest will be payable in respect of the loan in future periods.
 - c. The tax adjustment of £2.0 million represents the combined tax impact of the adjustments to exceptional items and finance costs calculated at 18.12 per cent., Babcock Group's effective tax rate for the year to 31 March 2013.
- (5) No adjustment has been made to reflect the trading results of the Babcock Group since 31 March 2014 or of the Avincis Group since 31 December 2013.

AUDITOR'S REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



The Directors
Babcock International Group plc
33 Wigmore Street
London
W1U 1QX

22 September 2014

Dear Sirs

Babcock International Group plc (the “Company” or the “Issuer”)

We report on the pro forma financial information (the “**Pro Forma Financial Information**”) set out on pages 87-90 of the Company’s prospectus dated 22 September 2014 (the “**Prospectus**”) which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the rights issue of new ordinary shares of the Issuer and the acquisition of Avincis Mission Critical Services Topco Ltd (together the “**Transaction**”) might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 March 2014. This report is required by item 7 of Annex II to the PD Regulation and is given for the purpose of complying with that PD Regulation and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Annex II of the PD regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.4R(1)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.1 of Annex IX to the PD Regulation, consenting to its inclusion in the “Prospectus”.

*PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
T: +44 (0) 2075 835 000, F: +44 (0) 2072 124 652, www.pwc.co.uk*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.



Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.4 R(1)(f), we are responsible for this report as part of the "Prospectus" and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the "Prospectus" in compliance with item 1.2 of Annex IX to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

DESCRIPTION OF GUARANTORS

Appledore Shipbuilders (2004) Ltd

Overview

Appledore Shipbuilders (2004) Ltd was incorporated in England on 5 September 1986 as a private limited company with company registration number 02052982. Its registered office is Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG, telephone number +44 (0)20 7355 5300.

Appledore Shipbuilders (2004) Ltd's primary business activity is shipbuilding.

The issued share capital of Appledore Shipbuilders (2004) Ltd amounts to £1,000,000 divided into 103,000 'A' ordinary shares of £1.00 each and 897,000 'B' ordinary shares of £1.00 each. Appledore Shipbuilders (2004) Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Appledore Shipbuilders (2004) Ltd are as follows:

Name	Position held
Archibald Anderson Bethel	Director
John Wallace Howie	Director
Derek Malcolm Jones	Director
Franco Martinelli	Director
Peter Lloyd Rogers	Director
William Tame	Director
Iain Stuart Urquhart	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Appledore Shipbuilders (2004) Ltd by its directors and their private interests or other duties.

Corporate Governance

Appledore Shipbuilders (2004) Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Babcock Airports Ltd

Overview

Babcock Airports Ltd was incorporated in England on 23 March 2000 as a private limited company with company registration number 03954520. Its registered office is 33 Wigmore Street, London, United Kingdom, W1U 1QX, telephone number +44 (0)20 7355 5300.

Babcock Airports Ltd's primary business activity is airport support services.

The issued share capital of Babcock Airports Ltd amounts to £1 consisting of 1 ordinary share of £1.00. Babcock Airports Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Babcock Airports Ltd are as follows:

Name	Position held
Nicholas James William Borrett	Director
Albert Norman Dungate	Director
David John Lawton	Director
Graham David Leeming	Director
Franco Martinelli	Director
Anthony Moore	Director

Name	Position held
Kevin Richard Thomas.....	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Babcock Airports Ltd by its directors and their private interests or other duties.

Corporate Governance

Babcock Airports Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Babcock Marine (Rosyth) Ltd

Overview

Babcock Marine (Rosyth) Ltd was incorporated in Scotland on 30 October 2007 as a private limited company with company registration number SC333105. Its registered office is Rosyth Business Park, Rosyth, Dunfermline, Fife, Scotland, KY11 2YD, telephone number +44 (0)20 7355 5300.

Babcock Marine (Rosyth) Ltd's primary business activity is that of a trading company.

The issued share capital of Babcock Marine (Rosyth) Ltd amounts to £101,000 divided into 101,000 ordinary shares of £1.00 each. Babcock Marine (Rosyth) Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Babcock Marine (Rosyth) Ltd are as follows:

Name	Position held
Archibald Anderson Bethel	Director
John Wallace Howie.....	Director
Derek Malcolm Jones.....	Director
Franco Martinelli.....	Director
Ian Donnelly.....	Director
Peter Lloyds Rogers.....	Director
William Tame.....	Director
Iain Stuart Urquhart.....	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Babcock Marine (Rosyth) Ltd by its directors and their private interests or other duties. IX 9.2

Corporate Governance

Babcock Marine (Rosyth) Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Babcock Marine (Clyde) Ltd

Overview

Babcock Marine (Clyde) Ltd was incorporated in Scotland on 14 June 2001 as a private limited company with company registration number SC220243. Its registered office is Rosyth Business Park, Rosyth, Dunfermline, Fife, Scotland, KY11 2YD, telephone number +44 (0)20 7355 5300.

Babcock Marine (Clyde) Ltd's primary business activity is that of a trading company.

The issued share capital of Babcock Marine (Clyde) Ltd amounts to £1 consisting of 1 ordinary share of £1.00. Babcock Marine (Clyde) Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Babcock Marine (Clyde) Ltd are as follows:

Name	Position held
Archibald Anderson Bethel	Director
John Wallace Howie	Director
Franco Martinelli	Director
Peter Orrill Merriman	Director
Iain Stuart Urquhart	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Babcock Marine (Clyde) Ltd by its directors and their private interests or other duties.

Corporate Governance

Babcock Marine (Clyde) Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Babcock Networks Ltd

Overview

Babcock Networks Ltd was incorporated in England on 8 February 1930 as a private limited company with company registration number 00245626. Its registered office is 33 Wigmore Street, London, United Kingdom, W1U 1QX, telephone number +44 (0)20 7355 5300.

Babcock Networks Ltd's primary business activity is powerline erection and maintenance.

The issued share capital of Babcock Networks Ltd amounts to £2,519,225 divided into 10,076,900 ordinary shares of 25 pence each. Babcock Networks Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Babcock Networks Ltd are as follows:

Name	Position held
Lindsay Holmes Brown	Director
Graham David Leeming	Director
Franco Martinelli	Director
Peter Lloyd Rogers	Director
William Tame	Director
Kevin Richard Thomas	Director
Robert Frank Whiley	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Babcock Networks Ltd by its directors and their private interests or other duties.

Corporate Governance

Babcock Networks Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Babcock Support Services Ltd

Overview

Babcock Support Services Ltd was incorporated in Scotland on 3 July 1986 as a private limited company with company registration number SC099884. Its registered office is c/o DWF LLP Dalmore house, 310 St Vincent Street, Glasgow, Scotland, G2 5QR, telephone number +44 (0)20 7355 5300.

Babcock Support Services Ltd's primary business activity is support services and facilities management.

The issued share capital of Babcock Support Services Ltd amounts to £360,045 divided into 50,000 'A' preference shares of £1.00 each, 50,000 'B' preference shares of £1.00 each, 50,000 'C' preference shares of £1.00 each, 50,000 'D' preference shares of £1.00 each, 50,000 'E' preference shares of £1.00 each and 110,045 ordinary shares of £1.00 each. Babcock Support Services Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Babcock Support Services Ltd are as follows:

Name	Position held
Albert Norman Dungate	Director
Mark Lawton	Director
Franco Martinelli	Director
David Frank Plester	Director
Richard Duncan Stoate	Director
Richard Hewitt Taylor	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Babcock Support Services Ltd by its directors and their private interests or other duties.

Corporate Governance

Babcock Support Services Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Cavendish Nuclear Limited

Overview

Cavendish Nuclear Limited was incorporated in England on 18 April 2000 as a private limited company with company registration number 03975999. Its registered office is 33 Wigmore Street, London, United Kingdom, W1U 1QX, telephone number +44 (0)20 7355 5300.

Cavendish Nuclear Limited's primary business activity is engineering solutions and services.

The issued share capital of Cavendish Nuclear Limited amounts to £50,015 divided into 15 ordinary shares of £1.00 each and 50,000 preference shares of £1.00 each. Cavendish Nuclear Limited is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Cavendish Nuclear Limited are as follows:

Name	Position held
Kenneth Malcolm Douglas	Director
Albert Norman Dungate	Director
Roger Andrew Hardy	Director
Graham David Leeming	Director
Franco Martinelli	Director

Name	Position held
Peter Lloyds Rogers	Director
William Tame.....	Director
Kevin Richard Thomas.....	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Cavendish Nuclear Limited by its directors and their private interests or other duties.

Corporate Governance

Cavendish Nuclear Limited complies with the corporate governance regime applicable under the laws of England and Wales.

Devonport Royal Dockyard Ltd

Overview

Devonport Royal Dockyard Ltd was incorporated in England on 26 November 1986 as a private limited company with company registration number 02077752. Its registered office is Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG, telephone number +44 (0)20 7355 5300.

Devonport Royal Dockyard Ltd's primary business activity is the maintenance of royal navy ships and the provision of support services to the naval base.

The issued share capital of Devonport Royal Dockyard Ltd amounts to £5,350,002 divided into 5,350,001 ordinary shares of £1.00 each and 1 special share of £1.00. Devonport Royal Dockyard Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Devonport Royal Dockyard Ltd are as follows:

Name	Position held
John Anthony Donaldson	Director
Dennis Ernest Gilbert	Director
Ian Jewell.....	Director
Michael Stephen Homer	Director
John Wallace Howie.....	Director
Philip Ross Jones.....	Director
Derek Malcolm Jones	Director
David St John Semken	Director
Michael Whalley	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Devonport Royal Dockyard Ltd by its directors and their private interests or other duties.

Corporate Governance

Devonport Royal Dockyard Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Babcock Rail Ltd

Overview

Babcock Rail Ltd was incorporated in England on 5 December 1994 as a private limited company with company registration number 02999826. Its registered office is 33 Wigmore Street, London, United Kingdom, W1U 1QX, telephone number +44 (0)20 7355 5300.

Babcock Rail Ltd's primary business activity is rail infrastructure repair and maintenance.

The issued share capital of Babcock Rail Ltd amounts to £10,225 divided into 10,225 ordinary shares of £1.00 each. Babcock Rail Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Babcock Rail Ltd are as follows:

Name	Position held
Lindsay Holmes Brown	Director
Robert Forbes	Director
Franco Martinelli	Director
Gerard Moy	Director
Peter Lloyds Rogers	Director
William Tame	Director
Robert Frank Whiley	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Babcock Rail Ltd by its directors and their private interests or other duties.

Corporate Governance

Babcock Rail Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Frazer-Nash Consultancy Ltd

Overview

Frazer-Nash Consultancy Ltd was incorporated in England on 27 November 1990 as a private limited company with company registration number 02562870. Its registered office is Devonport Royal Dockyard, Devonport, Plymouth, United Kingdom, PL1 4SG, telephone number +44 (0)20 7355 5300.

Frazer-Nash Consultancy Ltd's primary business activity is systems and engineering technology services.

The issued share capital of Frazer-Nash Consultancy Ltd amounts to £215,671 divided into 50,000 'A' preference shares of £1.00 each, 50,000 'B' preference shares of £1.00 each and 115,671 ordinary shares of £1.00 each. Frazer-Nash Consultancy Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Frazer-Nash Consultancy Ltd are as follows:

Name	Position held
Archibald Anderson Bethel	Director
Robert Ronald Burge	Director
Franco Martinelli	Director
Neil Malcolm McDougall	Director
Iain Stuart Urquhart	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Frazer-Nash Consultancy Ltd by its directors and their private interests or other duties.

Corporate Governance

Frazer-Nash Consultancy Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

LSC Group Ltd

Overview

LSC Group Ltd was incorporated in England on 8 July 1988 as a private limited company with company registration number 02275471. Its registered office is Lincoln House Wellington Crescent, Fradley Park, Lichfield, Staffordshire, United Kingdom, WS13 8RZ, telephone number +44 (0)20 7355 5300.

LSC Group Ltd's primary business activity is consultancy and project management.

The issued share capital of LSC Group Ltd amounts to £399,097 divided into 349,097 ordinary shares of £1.00 each and 50,000 preference shares of £1.00 each. LSC Group Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of LSC Group Ltd are as follows:

Name	Position held
Archibald Anderson Bethel	Director
Robert Ronald Burge	Director
Franco Martinelli	Director
Neil Malcolm McDougall.....	Director
Iain Stuart Urquhart.....	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to LSC Group Ltd by its directors and their private interests or other duties.

Corporate Governance

LSC Group Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Rosyth Royal Dockyard Ltd

Overview

Rosyth Royal Dockyard Ltd was incorporated in Scotland on 20 November 1986 as a private limited company with company registration number SC101959. Its registered office is c/o Babcock International Group PLC, Rosyth Business Park, Rosyth, Dunfermline, Fife, Scotland, KY11 2YD, telephone number +44 (0)20 7355 5300.

Rosyth Royal Dockyard Ltd is the owner of the Rosyth dockyard.

The issued share capital of Rosyth Royal Dockyard Ltd amounts to £250,021 divided into 200,022 ordinary shares of £1.00 each, 49,998 'A' ordinary shares of £1.00 each and 1 special share of £1.00. Rosyth Royal Dockyard Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Rosyth Royal Dockyard Ltd are as follows:

Name	Position held
Archibald Anderson Bethel	Director
John Anthony (Sean) Donaldson.....	Director
John Wallace Howie.....	Director
Derek Malcolm Jones	Director
Franco Martinelli	Director
Timothy Michael Robert Pettigrew	Director
Joseph Reilly	Director

Name	Position held
Iain Stuart Urquhart.....	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Rosyth Royal Dockyard Ltd by its directors and their private interests or other duties.

Corporate Governance

Rosyth Royal Dockyard Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Babcock Pty Ltd

Overview

Babcock Pty Ltd was incorporated in Australia on 14 November 1955 as a private limited company with an Australian business number 32 050 019 817. Its registered office is 689-695 Mersey Road, Osborne, South Australia, 5017, Australia, telephone number +61 88 440 1406.

Babcock Pty Ltd's primary business activity is the provision of engineering and maintenance support.

The issued share capital of Babcock Pty Ltd amounts to AUD\$ 404 divided into 102 ordinary shares of AUD\$ 2.00 each and 100 preference shares of AUD\$ 2.00 each. Babcock Pty Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Babcock Pty Ltd are as follows:

Name	Position held
Archibald Anderson Bethel	Director
Craig Lockhart.....	Director
Robert Thomas Love	Director
Jonathan Hall.....	Director
Mark William Hardy	Director
Giovanni Ranaldo.....	Director

The business address of the directors is 689-695 Mersey Road, Osborne, South Australia, 5017, Australia. No potential conflicts of interest exist between any duties owed to Babcock Pty Ltd by its directors and their private interests or other duties.

Corporate Governance

Babcock Pty Ltd complies with the corporate governance regime applicable under the laws of Australia.

Babcock Integrated Technology Ltd

Overview

Babcock Integrated Technology Ltd was incorporated in England on 7 October 2008 as a private limited company with company registration number 06717269. Its registered office is 33 Wigmore Street, London, United Kingdom, W1U 1QX, telephone number +44 (0)20 7355 5300.

Babcock Integrated Technology Ltd's primary business activity is the design, supply and installation of specialist handling equipment.

The issued share capital of Babcock Integrated Technology Ltd amounts to £40,100 divided into 40,100 ordinary shares of £1.00 each. Babcock Integrated Technology Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Babcock Integrated Technology Ltd are as follows:

Name	Position held
Archibald Anderson Bethel	Director
Jonathan Hall.....	Director
Mark William Hardy	Director
Franco Martinelli	Director
Iain Stuart Urquhart.....	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Babcock Integrated Technology Ltd by its directors and their private interests or other duties.

Corporate Governance

Babcock Integrated Technology Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Babcock Aerospace Ltd

Overview

Babcock Aerospace Ltd was incorporated in England on 3 December 1999 as a private limited company with company registration number 03887962. Its registered office is 33 Wigmore Street, London, United Kingdom, W1U 1QX, telephone number +44 (0)20 7355 5300.

Babcock Aerospace Ltd's primary business activity is airfield support services.

The issued share capital of Babcock Aerospace Ltd amounts to £3,000,000 divided into 3,000,000 ordinary shares of £1.00 each. Babcock Aerospace Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Babcock Aerospace Ltd are as follows:

Name	Position held
Ken Cornfield.....	Director
John Davies	Director
Albert Norman Dungate	Director
Franco Martinelli.....	Director
Michael Parry	Director
Richard Duncan Stoate.....	Director
Richard Hewitt Taylor.....	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Babcock Aerospace Ltd by its directors and their private interests or other duties.

Corporate Governance

Babcock Aerospace Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Babcock Flagship Ltd

Overview

Babcock Flagship Ltd was incorporated in England on 1 August 1995 as a private limited company with company registration number 03086376. Its registered office is 33 Wigmore Street, London, United Kingdom, W1U 1QX, telephone number +44 (0)20 7355 5300.

Babcock Flagship Ltd's primary business activity is naval training services.

The issued share capital of Babcock Flagship Ltd amounts to £500,000 divided into 250,000 'A' ordinary shares of £1.00 each and 250,000 'B' ordinary shares of £1.00 each. Babcock Flagship Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Babcock Flagship Ltd are as follows:

Name	Position held
Nicholas Charles Anderson	Director
John Davies	Director
Albert Norman Dungate	Director
Paul Martin Kingshott	Director
Franco Martinelli	Director
Richard Duncan Stoate	Director
Richard Hewitt Taylor	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Babcock Flagship Ltd by its directors and their private interests or other duties.

Corporate Governance

Babcock Flagship Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Babcock Communications Ltd

Overview

Babcock Communications Ltd was incorporated in England on 9 May 1996 as a private limited company with company registration number 03196204. Its registered office is 33 Wigmore Street, London, United Kingdom, W1U 1QX, telephone number +44 (0)20 7355 5300.

Babcock Communications Ltd's primary business activity is communication services.

The issued share capital of Babcock Communications Ltd amounts to £1,000,000 divided into 1,000,000 ordinary shares of £1.00 each. Babcock Communications Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Babcock Communications Ltd are as follows:

Name	Position held
Albert Norman Dungate	Director
Graham David Leeming	Director
Austin Spencer Lewis	Director
Franco Martinelli	Director
John McGrath	Director
Richard Hewitt Taylor	Director
Kevin Richard Thomas	Director

Name	Position held
Iain Stuart Urquhart.....	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Babcock Communications Ltd by its directors and their private interests or other duties.

Corporate Governance

Babcock Communications Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Babcock Land Ltd

Overview

Babcock Land Ltd was incorporated in England on 15 January 1998 as a private limited company with company registration number 03493110. Its registered office is 33 Wigmore Street, London, United Kingdom, W1U 1QX, telephone number +44 (0)20 7355 5300.

Babcock Land Ltd's primary business activity is fleet management and training services.

The issued share capital of Babcock Land Ltd amounts to £1,002 divided into 1,002 ordinary shares of £1.00 each. Babcock Land Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Babcock Land Ltd are as follows:

Name	Position held
Nicholas Charles Anderson.....	Director
John Davies.....	Director
Albert Norman Dungate.....	Director
Paul Martin Kingshott.....	Director
Franco Martinelli.....	Director
Richard Duncan Stoate.....	Director
Richard Hewitt Taylor.....	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Babcock Land Ltd by its directors and their private interests or other duties.

Corporate Governance

Babcock Land Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Inaer Helicopteros, SAU

Overview

Inaer Helicopteros, SAU was incorporated in Spain on 4 March 1983 as a private limited company with company registration number A03125010. Its registered office is Partida La Almaina, nro. 92, 03110, Mutxamel, Alicante, Spain, telephone number +34 965 66 38 35.

Inaer Helicopteros, SAU's primary business activity is as an aircraft operator.

The issued share capital of Inaer Helicopteros, SAU amounts to €2,234,277.60 divided into 18,588 ordinary shares of €120.20 each. Inaer Helicopteros, SAU is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Inaer Helicopteros, SAU are as follows:

Name	Position held
Ruben Garcia Medina.....	Director
Manuel Lopez Aguilar.....	Director

The business address of the directors is Partida La Almaina, nro. 92, 03110, Mutxamel, Alicante, Spain. No potential conflicts of interest exist between any duties owed to Inaer Helicopteros, SAU by its directors and their private interests or other duties.

Corporate Governance

Inaer Helicopteros, SAU complies with the corporate governance regime applicable under the laws of Spain.

Inaer Aviation Italia, S.P.A.

Overview

Inaer Aviation Italia, S.P.A. was incorporated in Italy on 7 June 1988 as a private limited company with company registration number 01217520228. Its registered office is Piazza Castello nro. 26, 20121, Milan, Italy, telephone number +39 0341 934611.

Inaer Aviation Italia, S.P.A.'s primary business activity is as an aircraft operator.

The issued share capital of Inaer Aviation Italia, S.P.A. amounts to €10,378,536 divided into 10,378,536 ordinary shares of €1.00 each. Inaer Aviation Italia, S.P.A. is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Inaer Aviation Italia, S.P.A. are as follows:

Name	Position held
Andrea Stolfa.....	Director
Andrea Cicero.....	Director
Massimo Cassinari	Director
Gianmario Bettiga	Director

The business address of the directors is Piazza Castello no. 26, 20121, Milan, Italy. No potential conflicts of interest exist between any duties owed to Inaer Aviation Italia, S.P.A. by its directors and their private interests or other duties.

Corporate Governance

Inaer Aviation Italia, S.P.A. complies with the corporate governance regime applicable under the laws of the Italian Republic.

Bond Offshore Helicopters Ltd

Overview

Bond Offshore Helicopters Ltd was incorporated in England on 29 August 2001 as a private limited company with company registration number 04278474. Its registered office is Gloucestershire Airport, Staverton, Cheltenham, United Kingdom, GL51 6SP, telephone number +44 (0)20 7355 5300.

Bond Offshore Helicopters Ltd's primary business activity is the provision of aviation services.

The issued share capital of Bond Offshore Helicopters Ltd amounts to £52,632 divided into 52,632 ordinary shares of £1.00 each. Bond Offshore Helicopters Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Bond Offshore Helicopters Ltd and are as follows:

Name	Position held
Louca Adam Farajallah	Director
Richard Christopher Mintern.....	Director
Arthur William Russell.....	Director
David Wilson.....	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Bond Offshore Helicopters Ltd by its directors and their private interests or other duties.

Corporate Governance

Bond Offshore Helicopters Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Bond Aviation Group Ltd

Overview

Bond Aviation Group Ltd was incorporated in England on 11 February 2011 as a private limited company with company registration number 07527245. Its registered office is Gloucestershire Airport, Staverton, Cheltenham, United Kingdom, GL51 6SP, telephone number +44 (0)20 7355 5300.

Bond Aviation Group Ltd's primary business activity is the provision of aviation services.

The issued share capital of Bond Aviation Group Ltd amounts to £96,891,638 divided into 96,891,638 ordinary shares of £1.00 each. Bond Aviation Group Ltd is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Bond Aviation Group Ltd are as follows:

Name	Position held
Andrea Cicero.....	Director
James Edwards MacGregor Drummond.....	Director
Luis Inigo Moreno Ventas.....	Director
Richard Christopher Mintern.....	Director

The business address of the directors is 33 Wigmore Street, London, United Kingdom, W1U 1QX. No potential conflicts of interest exist between any duties owed to Bond Aviation Group Ltd by its directors and their private interests or other duties.

Corporate Governance

Bond Aviation Group Ltd complies with the corporate governance regime applicable under the laws of England and Wales.

Inaer Fleet Management, S.A.U.

Overview

Inaer Fleet Management, S.A.U. was incorporated in Spain on 9 July 2010 as a private limited company with company registration number A54508536. Its registered office is Partida La Almaina, nro. 92, 03110, Mutxamel, Alicante, Spain, telephone number +34 965 66 38 35.

Inaer Fleet Management, S.A.U.'s primary business activity is leasing aircraft.

The issued share capital of Inaer Fleet Management, S.A.U. amounts to €62,058,514 divided into 62,058,514 ordinary shares of €1.00 each. Inaer Fleet Management, S.A.U. is a wholly owned subsidiary of Babcock.

Administration and Management

The directors of Inaer Fleet Management, S.A.U. are as follows:

Name	Position held
Luis Inigo Moreno-Ventas	Director
Ruben Garcia Medina	Director
Manuel Lopez Aguilar	Director

The business address of the directors is Partida La Almaina, no. 92, 03110, Mutxamel, Alicante, Spain. No potential conflicts of interest exist between any duties owed to Inaer Fleet Management, S.A.U. by its directors and their private interests or other duties.

Corporate Governance

Inaer Fleet Management, S.A.U. complies with the corporate governance regime applicable under the laws of Spain.

DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

DIRECTORS

Current Directors

The current directors of Babcock (each a "**Director**") and their functions are as follows:

Name	Age	Position	Date appointed to the Board
Michael Turner, CBE.....	66	Director, Chairman	1 June 2008
Peter Rogers CBE.....	66	Director, Chief Executive	12 June 2002
Franco Martinelli	53	Director, Group Finance Director	1 August 2014
William Tame.....	60	Director, Chief Executive – International	25 January 2002
Kevin Thomas.....	60	Director, Chief Executive – Support Services	1 May 2010
Archibald Bethel, CBE	61	Director, Chief Executive – Marine & Technology	1 May 2010
John Davies.....	51	Director, Chief Executive – Defence & Security	1 January 2013
Sir David Omand, GCB	67	Senior Independent Director	1 April 2009
Justin Crookenden.....	51	Non-Executive Director (Independent)	1 December 2005
Ian Duncan.....	53	Non-Executive Director (Independent)	10 November 2010
Kate Swann.....	49	Non-Executive Director (Independent)	1 June 2011
Anna Stewart	50	Non-Executive Director (Independent)	1 November 2012
Jeff Randall.....	59	Non-Executive Director (Independent)	1 April 2014

The business address of each of the Directors (in such capacity) is 33 Wigmore Street, London, W1U 1QX.

Profiles of the Directors

The business experience and principal business activities outside of the Babcock Group of each of the Directors are as follows:

(a) ***Michael Turner, CBE, Chairman***

Mike Turner was appointed to the Board as a Non-Executive Director on 1 June 2008 and as Chairman of the Board on 1 November 2008. Since 3 May 2012 he has also been Chairman of GKN plc, where he was previously Senior Independent Director. He is a former Chief Executive of BAE Systems plc and a former Chairman of the UK Defence Industries Council (DIC). He is a member of the UK Government's Apprenticeship Ambassadors Network and is a Non-Executive Director of Lazard Limited.

(b) ***Peter Rogers, CBE, Chief Executive Officer***

Peter Rogers joined the Board as Chief Operating Officer in June 2002 and became Chief Executive in August 2003. He is a Non-Executive Director of Galliford Try PLC and a former Director of Courtaulds PLC and Acordis BV. He has also served as a President of Aerospace Defence Security.

Peter Rogers has committed to continue as the Chief Executive until at least the summer of 2016.

(c) ***Franco Martinelli, Group Finance Director***

Franco Martinelli joined the Board as Group Finance Director in August 2014. Prior to that he has been the Babcock Group's Financial Controller for the past 12 years.

(d) ***William Tame, Chief Executive – International***

William Tame, who has been Group Finance Director since January 2002, is now Chief Executive of the Babcock Group's enlarged International division. He will take over responsibility for the South African operations and the Avincis Group, as well as the Group's business development activities in the Middle East. He is a Non-Executive Director of Carclo PLC.

(e) ***Kevin Thomas, Chief Executive – Support Services***

Kevin Thomas became a Director on 1 May 2010. He joined the Group in June 2002. Before joining the Babcock Group, he spent 12 years in facilities management, including seven years with Serco Group PLC and fifteen years in local government with Merton, Surrey and Southwark Councils. Kevin is an independent Non-Executive Director of Harvey Nash Group PLC. He is a Fellow of the Royal Institute of Chartered Surveyors and a Freeman of the City of London.

(f) ***Archibald Bethel, CBE, Chief Executive – Marine & Technology***

Archibald Bethel became a Director on 1 May 2010. He joined the Group in January 2004. He is a Chartered Engineer and a Fellow of the Royal Academy of Engineering. He is also President of the Society of Maritime Industries and is a Lay Member of the Court of the University of Strathclyde. He is a former Vice President of the Institution of Mechanical Engineers.

(g) ***John Davies, Chief Executive – Defence & Security***

John Davies joined the Babcock Group in 2010, following the acquisition of VT Group plc. He was appointed Divisional Chief Executive, Defence and Security in 2010 and joined the Board on 1 January 2013. John is a lawyer by background and a graduate of the University of Manchester and Chester Law College. He has worked extensively across the support services and defence sectors within Bombardier, BAE Systems and VT Group.

(h) ***Sir David Omand, GCB, Senior Independent Director***

Sir David joined the Board as a Non-Executive Director on 1 April 2009, and became Senior Independent Director on 1 January 2012. He is a Non-Executive Director of Finmecannica UK Limited and is a visiting professor in the department of War Studies, King's College London. He left UK Government service in 2005 having served in various senior roles, including as UK Government Security and Intelligence Coordinator, Permanent Secretary of the Home Office, Director of GCHQ (the UK Signals Intelligence and Information Assurance Agency) and Deputy Under-Secretary of State for Policy in the MoD.

(i) ***Justin Crookenden, Independent Non-Executive Director***

Justin Crookenden joined the Board as a Non-Executive Director in December 2005. He qualified as a chartered accountant and is a former investment banker, having worked at UBS, Barclays de Zoete Wedd and Credit Suisse First Boston - where he was Managing Director, UK Investment Banking.

After nine years on the Board and in accordance with corporate governance best practice for independent non-executive directors, Justin Crookenden intends to retire from the Board on 30 November 2014.

(j) ***Ian Duncan, Independent Non-Executive Director***

Ian Duncan joined the Board as a Non-Executive Director on 10 November 2010. He is a chartered accountant and is a former Group Finance Director of Royal Mail Holdings PLC. Ian is currently a Non-Executive Director and Chairman of the Audit Committee of WANdisco plc and Mouchel Group. He has also formerly been Corporate Finance Director at British Nuclear Fuels, Chief Financial Officer and Senior Vice President at Westinghouse Electric Company LLC in Pennsylvania, United States of America and a Non-Executive Director and the Chairman of the Audit Committee of Fiberweb plc.

(k) ***Kate Swann, Independent Non-Executive Director***

Kate Swann joined the Board as a Non-Executive Director on 1 June 2011. Kate is currently Group Chief Executive of SSP Group Limited. She is a former Chief Executive Officer of WH Smith PLC, former Managing Director of Argos, and a former Managing Director of Homebase Ltd. She is also a member of the advisory board of Selfridges Group.

(l) ***Anna Stewart, Independent Non-Executive Director***

Anna Stewart became a Non-Executive Director of the Company on 1 November 2012. Anna is Chief Executive of Laing O'Rourke Corporation, where she was previously Group Finance and Commercial Director. Anna is a chartered surveyor.

(m) ***Jeff Randall, Independent Non-Executive Director***

Jeff Randall joined the Board as a Non-Executive Director on 1 April 2014. He had a long career as a journalist and broadcaster until he stepped down as a presenter for Sky News on 31 March 2014 and as editor-at-large of the Daily Telegraph on 31 December 2013. He was business editor of the BBC between 2001 and 2005, the launch editor of Sunday Business and, for six years, was City Editor of the Sunday Times. He is a former director of Times Newspapers. He is also a Visiting Fellow of Oxford University's Saïd Business School where he specialises in corporate reputation, and is an honorary professor at Nottingham University's Business School

A list of the companies and partnerships (other than Babcock and its subsidiaries) of which the Babcock Directors are or have been a director or partner within the past five years is set out below.

CORPORATE GOVERNANCE

The Board is firmly committed to high standards of corporate governance. The principal governance rules applying to UK companies listed on the Main Market of the London Stock Exchange are contained in the UK Corporate Governance Code (the "**Corporate Governance Code**"). The Board considers that as at the Latest Practicable Date the Company is in compliance with the principles and provisions of the Corporate Governance Code (see further details below concerning the effect of the appointment of the Babcock Proposed Directors).

Board of Directors

A Director is appointed by ordinary resolution (i.e. a simple majority of votes cast) at a general meeting of ordinary shareholders of Babcock. The Board also has the power to appoint a Director, but any person so appointed must stand for reappointment by shareholders at the first annual general meeting following his or her appointment by the Board. After appointment, Directors must offer themselves for reappointment at least every three years. It is Babcock's policy to review rigorously the reappointment of non-executive directors who have served more than six years.

The Corporate Governance Code currently recommends that at least half of the board of directors (excluding the chairman) of a UK listed company should be independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment.

The Board has established Audit and Risk, Remuneration and Nominations Committees, with formally delegated duties and responsibilities with written terms of references.

Board Committees

Audit and Risk Committee

Current members

The Babcock Audit and Risk Committee is made up entirely of the independent Non-Executive Directors. The Corporate Governance Code recommends that the Audit and Risk Committee should be comprised of at least three members who should all be independent non-executive directors, and that at least one member should have recent and relevant financial experience. Babcock considers that it complies with the Corporate Governance Code recommendations regarding the composition of the Audit and Risk Committee.

The Audit and Risk Committee meets formally at least four times a year and otherwise as required.

Role of the Audit and Risk Committee

The Audit and Risk Committee operates under defined terms of reference and its principal responsibilities include:

- monitoring the integrity of the full year and half-yearly financial statements and any formal announcements relating to the Company's financial performance;
- making recommendations to the Board in relation to the appointment of the external auditor;
- reviewing and monitoring at least once a year the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;
- keeping under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- monitoring and keeping under review the effectiveness of the Company's internal audit service;
- reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

Remuneration Committee

Current members

The Babcock Remuneration Committee is made up of entirely Non-Executive Directors. The Corporate Governance Code provides that the Remuneration Committee should consist of at least three members who are all independent non-executive directors. Babcock considers that it complies with the Corporate Governance Code recommendations regarding the composition of the Remuneration Committee.

The Remuneration Committee meets formally at least four times a year and otherwise as required.

Role of the Remuneration Committee

The Remuneration Committee operates under defined terms of reference and its principal responsibilities include:

- determining and recommending to the Board the Babcock Group's policy on executive remuneration;
- overseeing any major changes in employee benefit structures throughout the Babcock Group and reviewing and noting annually the remuneration trends across the Babcock Group;
- determining the terms of service of the Chairman and the Executive Directors, including remuneration and other benefits package and severance terms;
- reviewing the design of all new equity schemes for approval by the Board and shareholders;
- approving the terms and basis of participation in short and long term bonus and incentive schemes for which the Chairman and/or Executive Directors and/or senior management are eligible; setting performance criteria for the granting, vesting or execution of awards or options under any existing or new share scheme or other long term incentive plan and to review annually the bonus arrangements for the Executive Directors;
- granting options or awards under any share scheme operated by the Babcock Group from time to time (a "**Share Scheme**") (other than any all employee share schemes);

- granting dispensations in respect of leavers exercising rights under the Share Schemes;
- determining, whether the performance measures for any equity incentive plans, performance-related pay schemes and other cash based incentive plans for Executive Directors operated by the Company have been satisfied; and
- making sure that all short and long term incentives are consistent with and support sound risk management, and are aligned with customer and shareholder interests.

Nominations Committee

Current members

The Babcock Nominations Committee is made up of independent Non-Executive Directors. The Corporate Governance Code provides that a majority of the members of the Nominations Committee should be independent non-executive directors. Babcock considers that it complies with the Corporate Governance Code recommendations regarding the composition of the Nominations Committee.

The Nominations Committee meets as required.

Role of the Nominations Committee

The Nominations Committee operates under defined terms of reference and its principal responsibilities include:

- regularly reviewing the structure, size and composition (including the skills knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes;
- considering succession planning for directors and other senior executives, taking account of the challenges and opportunities facing the Company, and the skills and expertise needed on the board in the future;
- keeping under review the leadership needs of the Group, both executive and non- executive, with a view to ensuring the continued ability of the Group to compete effectively in the market place;
- identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise; and
- reviewing annually the time required from the Non-Executive Directors for performance of their duties to the Company.

ETHICAL CONDUCT

Babcock has adopted a Code of Business Conduct which sets out the ethical standards that should be adhered to by Babcock's employees, business advisors and partners. All employees are expected to avoid conflicts of interest, to act lawfully (and in particular, not to be involved in any corrupt practices) and to report any non-compliance issues of which they become aware.

Babcock also complies with the Common Industry Standards for European Aerospace and Defence, a voluntary code created by the European Aerospace and Defence Industries Association of Europe to improve transparency and promote a code of ethical standards in the aerospace and defence industries.

OTHER DIRECTORSHIPS

In addition to their directorships of Babcock, the Babcock Directors hold or have held the following directorships (other than directorships of subsidiaries of Babcock), and are or were members of the following partnerships, within the past five years.

Directors

<u>Name</u>	<u>Current Directorship/ partnership</u>	<u>Previous Directorship/ partnership</u>
Chairman and Executive Directors		
Michael Turner CBE	GKN plc Lazard Limited	No such position held in the past five years
Peter Rogers CBE	Galliford Try plc	No such position held in the past five years
Franco Martinelli	Advanced Jet Training Limited Ascent Flight Training (Holdings) Limited Ascent Flight Training (Services) Limited Ascent Flight Training (Management) Limited Rear Crew Training Holdings Limited Rear Crew Training Limited	Advanced Jet Training Holdings Limited AirTanker Finance Limited AirTanker 1 Limited AirTanker Equity Bridge Loan Limited AirTanker Limited
William Tame	Carclo plc	No such position held in the past five years
Kevin Thomas	Harvey Nash Group PLC	ABC678 Limited Advanced Jet Training Holdings Limited Advanced Jet Training Limited Apollo Group Holdings Limited Ascent Flight Training (Management) Limited Cavendish Dounreay Partnership Limited Rear Crew Training Holdings Limited Rear Crew Training Limited
Archibald Bethel CBE	Institution of Mechanical Engineers	Society of Maritime Industries Limited
John Davies	Advanced Jet Training Holdings Limited Advanced Jet Training Limited AirTanker Services Limited ALC (FMC) Limited ALC (Holdco) Limited ALC (SPC) Limited ALC (Superholdco) Limited Ascent Flight Training (Holdings) Limited Ascent Flight Training (Management) Limited Ascent Flight Training (Services) Limited Rear Crew Training Holdings Limited Rear Crew Training Limited Whitefleet Limited	No such position held in the past five years
Non-Executive Directors		
Sir David Omand GCB	Finmecannica UK Limited	No such position held in the past five years
Justin Crookenden	No such position held currently	No such position held in the past five years
Ian Duncan	WANdisco plc MRBL Limited	Westinghouse Electric Company LLC Royal Mail Holdings plc
Kate Swann	SSP Group Limited	WH Smith plc
Anna Stewart	Laing O'Rourke Corporation	No such position held in the past five years
Jeff Randall	No such position held currently	Lusura Limited

No Director has any material interest, either currently or on Completion, in any significant contract with the Company or any of its subsidiary undertakings.

No potential conflicts of interests exist between any of the Directors' duties to Babcock or the Babcock Group and their private interests and/or other duties.

None of the Directors were selected to act in such capacity pursuant to any arrangement or understanding with any major shareholder, customer, supplier or other person having a business connection with the Babcock Group.

There are no family relationships between any of the Directors.

There are no outstanding loans granted by Babcock or any member of the Babcock Group to any of the Directors, nor has any guarantee been provided by Babcock or any member of the Babcock Group for their benefit, save that each of the Directors has the benefit of a qualifying third party indemnity pursuant to which Babcock agrees to indemnify the Directors against liabilities that they may incur as a result of their office as director in terms which are in accordance with the relevant provisions of the Companies Act 2006.

TAXATION

The following is a general description of certain United Kingdom, Italy, Spain and Australia tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

UK 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 it 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

UK Notes listed on a recognised stock exchange

The Notes issued by the Issuer which carry a right to interest ("Notes") will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the UK Notes are and continue to be quoted Eurobonds, payments of interest on the UK 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 Financial Services and Markets Act 2000) 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.

In all cases falling outside the exemption described above, interest on the UK Notes which has a United Kingdom source may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) 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 or intention of which is to render such Notes part of a borrowing with a total term of a year or more.

Payments by a Guarantor

If a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. Such payments by the Guarantor may not be eligible for any of the other exemptions described above.

Other Rules Relating to United Kingdom Withholding Tax

1. 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 above, but may be subject to reporting requirements as outlined below.
2. 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.
3. Where interest has been paid under deduction of United Kingdom income tax, Holders 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.
4. The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements 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. Noteholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.
5. The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer (pursuant to Condition 18 (*Meetings of Noteholders; Modification and Waiver; Substitution*) of the Notes or otherwise) and does not consider the tax consequences of any such substitution.

Provision of Information

HMRC have powers to obtain information, including in relation to interest or payments treated as interest and payments derived from securities. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information in connection with transactions relating to the Notes. Information obtained by HMRC may be provided to tax authorities in other countries.

Australia Taxation

The following is a summary of the Australian taxation treatment under the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997 ("**Tax Act**"), at the date of this Base Prospectus, of payments of interest (as defined in the Tax Act) on the Notes to be issued by the Issuer under the Programme and certain other matters. It is not exhaustive and, in particular, does not deal with the position of certain classes of Noteholders (including dealers in securities, custodians or other third parties who hold Notes on behalf of any other persons).

Unless otherwise stated, the following summary applies to Noteholders who are residents for Australian taxation purposes or non-Australian residents who hold their Notes in the course of carrying on business at or through an Australian permanent establishment. Noteholders who are non-Australian residents and who **do not** hold their Notes in the course of carrying on business at or through an Australian permanent establishment should not be subject to Australian taxation on income which is not sourced in Australia (such as payments made by the non-Australian-resident Issuer with respect to the Notes). However, any such Noteholders who receive payments made by an Australian-resident Guarantor may be subject to

Australian taxation and these Noteholders should refer to comments under the section "*Payments made by an Australian-resident Guarantor to non-Australian Noteholders*" below.

Prospective Noteholders should also be aware that the particular terms of issue of any Series or Tranche of Notes may affect the tax treatment of that and other Series or Tranche of Notes. The following is a general guide and should be treated with appropriate caution.

Prospective Noteholders who are in any doubt as to their tax position should consult their professional advisers of the tax implications of an investment in the Notes for their particular circumstances.

Interest income and disposal proceeds

Noteholders will be assessable for Australian taxation purposes on income either received or accrued to them in respect of the Notes, including on additional payments made to Noteholders relating to amounts that the Issuer (or a Guarantor, as the case may be,) is compelled or authorised by law to deduct or withhold in respect of taxes imposed or levied on the Notes.

Whether that income will be recognised on a cash receipts or accruals basis will depend upon the tax status of the particular Noteholder and the Conditions and the relevant Final Terms (subject also to the comments below on the application of the taxation of financial arrangement rules).

Noteholders will also be required to include any gain or loss on disposal or redemption of the Notes in their taxable income (see also comments below on the application of the taxation of financial arrangement rules).

Special rules apply to the taxation of Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia, which vary depending on the country in which that permanent establishment is located.

Taxation of financial arrangements

The Tax Act contains tax-timing rules for certain taxpayers to bring to account gains and losses from "financial arrangements".

The rules do not apply to certain taxpayers or in respect of certain short term financial arrangements. For example, they should not generally apply to Noteholders who are individuals and certain other entities (e.g. certain superannuation entities and managed investment schemes) which do not meet various turnover or asset thresholds, unless they make an election that the rules apply to their financial arrangements.

Potential Noteholders should seek their own tax advice regarding their own personal circumstances as to whether such an election should be made.

Foreign taxes

Noteholders are required to include in their assessable income any foreign taxes paid, withheld or deducted by the Issuer (or a Guarantor, as the case may be,) on or from payments of principal or interest in respect of the Notes (e.g. interest withholding tax). Noteholders will normally be entitled to a tax offset for such foreign taxes paid, withheld or deducted by the Issuer (or a Guarantor).

Foreign exchange gains and losses

The acquisition, holding and redemption or disposal of Notes that are not denominated in Australian dollars may give rise to foreign exchange gains or losses.

The rules regarding the taxation of foreign exchange gains and losses are complex and Noteholders should consult their professional advisors for advice as to how to tax account for any foreign exchange gains or losses arising from their investment in the Notes.

Payments made by an Australian-resident Guarantor to non-Australian Noteholders

If an Australian-resident Guarantor makes any payments in respect of the Notes (other than principal repayments), such payments may be subject to Australian withholding tax at a rate of, currently, 10 per

cent., where those payments are made to a non-Australian resident Noteholder and that Noteholder holds the Notes other than at or through an Australian permanent establishment.

Any such Noteholders may be eligible for relief from the withholding tax which is made available under the provisions of an applicable double taxation treaty (e.g. an exemption from interest withholding tax for financial institutions) or any other exemptions which may apply.

Stamp duty

The acquisition, holding, transfer and redemption or disposal of the Notes should not give rise to any stamp duty in any Australian jurisdiction.

Goods and services tax ("GST")

GST should not be payable on the issue, redemption or disposal of the Notes. Additionally, GST should not be payable with respect to interest payments received by Noteholders.

Italy Taxation

The following is a general description of certain Italian tax considerations relating to the Notes based on the laws in force in Italy as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in notes) may be subject to special rules. The comments relate only to the position of investors who are absolute beneficial owner of the Notes. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

*Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 published in the Official Gazette No. 143 of 23 June 2014 ("**Decree No. 66**"), has introduced new tax provisions amending certain aspects of the tax regime of the Notes as summarised below. In particular Decree No. 66 has increased from 20 per cent. to 26 per cent. the rate of withholding and substitute taxes applicable on interest accrued, and capital gains realised, as of 1 July 2014 on financial instruments (including the Notes) other than government bonds.*

Tax treatment of the Notes

Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree 239**") sets out the applicable tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by non-Italian resident issuers.

For these purposes, securities similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation of the issuer to pay at maturity an amount not lower than their nominal value, with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

Italian resident Noteholders

Where the Italian resident Noteholder is:

- (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the "*regime del risparmio gestito*" under Article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended ("**Decree No. 461**") – the "**Asset Management Option**"); or

- (b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a de facto partnership not carrying out commercial activities or professional association; or
- (c) a private or public institution not carrying out mainly or exclusively commercial activities; or
- (d) an investor exempt from Italian corporate income taxation.

Interest payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. (either when Interest is paid or when payment thereof is obtained by the Noteholder on a sale of the Notes). All the above categories are qualified as "net recipients".

Where the resident Noteholders described above under (a) and (c) are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Pursuant to Decree 239, the 26 per cent. *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so called "**SIMs**"), fiduciary companies, *società di gestione del risparmio* ("**SGRs**"), stock brokers and other qualified entities identified by a decree of the Ministry of Finance ("**Intermediaries**" and each an "**Intermediary**") resident in Italy, or by permanent establishments in Italy of a non Italian resident Intermediary, that intervene, in any way, in the collection of Interest or, also as transferees, in transfers or disposals of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant notes or in a change of the Intermediary with which the notes are deposited.

Where the Notes and the relevant coupons are not deposited with an authorised Intermediary (or with a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the Noteholders.

Payments of Interest are not subject to the 26 per cent. *imposta sostitutiva* if made to beneficial owners who are: (i) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; (ii) Italian resident partnerships carrying out commercial activities (*'società in nome collettivo'* or *'società in accomandita semplice'*); (iii) Italian resident open-ended or closed-ended collective investment funds (together the "**Funds**" and each a "**Fund**"), SICAVs, Italian resident pension funds referred to in Legislative Decree No. 252 of 5 December 2005 ("**Decree No. 252**"), Italian resident real estate investment funds, SICAF; and (iv) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised financial Intermediary and have opted for the Asset Management Option. Such categories are qualified as "gross recipients". To ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, gross recipients indicated above under (i) to (iv) must: (a) be the beneficial owners of payments of Interest on the Notes and (b) deposit the Notes in due time, together with the coupons relating to such Notes, directly or indirectly with an Italian authorised Intermediary (or a permanent establishment in Italy of a foreign Intermediary). Where the Notes and the relevant coupons are not deposited with an Italian authorised Intermediary (or a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the holders of the Notes. Gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Notes would be included in the corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for purposes of regional tax on productive activities – "**IRAP**") of beneficial owners who are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules, and such beneficial owners should be generally entitled to a tax credit for any withholding taxes applied outside Italy on Interest on Notes.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to the 26 per cent. annual substitute tax (the "**Asset Management Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

If the investor is resident in Italy and is a Fund, *Fondi Lussemburghesi Storici* or a SICAV and the relevant Notes are held by an authorised intermediary, Interest accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the financial results of the Fund, *Fondi Lussemburghesi Storici* or the SICAV. The Fund, *Fondi Lussemburghesi Storici* or SICAV will not be subject to taxation on such result, but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Substitute Tax**"). A withholding tax of 20 per cent. is levied on proceeds accrued up to 30 June 2014 and received by certain categories of unitholders or shareholders upon redemption or disposal of the units or shares.

Where a Noteholder is an Italian resident real estate investment fund or a SICAF, to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply, Interest accrued on the Notes will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or SICAF. The income of the real estate fund or of the SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Italian resident pension funds subject to the regime provided by articles 17 of Decree No. 252, are subject to an 11 per cent. annual substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Pension Fund Tax has been increased to 11.5 per cent. for fiscal year 2014, pursuant to Decree No. 66.

Where Interest on Notes issued and beneficially owned by Noteholders qualifying as net recipients, as defined above, are not collected through the intervention of an Italian Intermediary and as such no *imposta sostitutiva* is applied, the Italian resident beneficial owners qualifying as net recipients will be required to declare Interest in their yearly income tax return and subject them to final substitute tax at a rate of 26 per cent., unless option for a different regime is allowed and made. Italian resident net recipients that are individuals not engaged in entrepreneurial activity may elect instead to pay ordinary personal income taxes at the progressive rates applicable to them in respect of Interest on such Notes: if so, the beneficial owners should be generally entitled to a tax credit for withholding taxes applied outside Italy, if any.

Non-Italian resident Noteholders

Interest payments relating to Notes received by non-Italian resident beneficial owners are not subject to taxation in Italy.

If the Notes are deposited with an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign Intermediary) or are sold through an Italian Intermediary (or permanent establishment in Italy of foreign Intermediary) or in any case an Italian resident Intermediary (or permanent establishment in Italy of foreign Intermediary) intervenes in the payment of Interest on such Notes, to ensure payment of Interest without application of Italian taxation a non-Italian resident Noteholder may be required to produce to the Italian bank or other intermediary a statement (*autocertificazione*) stating that he or she is not resident in Italy for tax purposes.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, securities similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

The 26 per cent. withholding tax does not apply to payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (i) a company (including Italian permanent establishments of foreign entities) or similar commercial entity, (ii) a commercial partnerships or (iii) a private or public institution carrying out commercial activities.

Payments made by a Guarantor

There is no authority directly regarding the Italian tax regime of payments on Notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not support such an alternative treatment.

With respect to payments made by an Italian resident Guarantor in respect of Notes, in accordance with one interpretation of Italian tax law, any such payments may be subject to Italian withholding tax at the rate of 26 per cent. levied as a final tax or a provisional tax ("*a titolo d'imposta o a titolo di acconto*") depending on the residential "status" of the Noteholder, pursuant to Presidential Decree No. 600 of 29 September 1973. In the case of payments to non-Italian residents, the withholding tax should be final and may be applied at the rate of 26 per cent. Double taxation treaties entered into by Italy may apply allowing for a lower (or in certain cases, nil) rate applicable of the withholding tax in case of payments to non-Italian residents.

In accordance with another interpretation, any such payment made by such Guarantor should be treated, in certain circumstances, as a payment by the Issuer and made subject to the tax treatment described above.

Capital gains tax

Pursuant to Decree No. 461, a 26 per cent. capital gains tax (referred to as *imposta sostitutiva*) is applicable to capital gains realised by:

- Italian resident individuals not engaged in entrepreneurial activities to which the Notes issued by the Issuer are connected;
- Italian resident partnerships not carrying out commercial activities;
- Italian private or public institutions not carrying out mainly or exclusively commercial activities,

on any sale or transfer for consideration of the Notes or redemption thereof.

Under the so called "*regime della dichiarazione*" (tax declaration regime), which is the standard regime for taxation of capital gains the 26 per cent., *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses pursuant to all investment transactions carried out during any given fiscal year. The capital gains realised in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains together with any balance income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to the fourth subsequent fiscal year. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

Alternatively to the tax declaration regime, holders of the Notes who are:

- Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected,
- Italian resident partnerships not carrying out commercial activities,

- Italian private or public institutions not carrying out mainly or exclusively commercial activities,

may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Notes. Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs and any other Italian qualified intermediary (or permanent establishment in Italy of foreign intermediary) and (ii) an express election for the so called "*regime del risparmio amministrato*" (administrative savings regime) being made in writing in due time by the relevant Noteholder. The intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian tax authorities on behalf of the Noteholder, deducting a corresponding amount from proceeds to be credited to the Noteholder. Where a sale or transfer or redemption of the Notes results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Notes within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014. Under the administrative savings regime, the realised capital gain is not required to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

If the Notes are part of a portfolio managed in a regime of Asset Management Option by an Italian asset management company or an authorised intermediary the capital gains realised upon sale, transfer or redemption of the Notes will not be subject to 26 per cent. *imposta sostitutiva* on capital gains but will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year end may be carried forward against appreciation accrued in each of the following years up to the fourth. Pursuant to Decree No. 66, depreciations of the managed assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of: (i) 48.08 per cent. of the relevant depreciations in value registered before 1 January 2012; (ii) 76.92 per cent. of the depreciations in value registered from 1 January 2012 to 30 June 2014. Also under the Asset Management Option the realised capital gain is not required to be included in the annual income tax return of the Noteholder and the Noteholder, remains anonymous.

In the case of Notes held by Funds and SICAVs, capital gains on Notes contribute to determinate the increase in value of the managed assets of the Funds or SICAVs accrued at the end of each tax year. Funds and SICAVs will not be subject to taxation on such increase, but the Collective Investment Fund Substitute Tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders, subject to the Collective Investment Fund Substitute Tax. A withholding tax of 20 per cent. is levied on proceeds accrued up to 30 June 2014 and received by certain categories of unitholders or shareholders upon redemption or disposal of the units or shares.

Where a Noteholder is an Italian resident real estate investment fund or a SICAF, to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply, capital gains realised will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or SICAF. The income of the real estate fund or of the SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Pension Fund Tax. The Pension Fund Tax has been increased to 11.5 per cent. for fiscal year 2014, pursuant to Decree No. 66.

The 26 per cent. *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23 of Decree No. 917 of 22 December 1986 ("**Decree No 917**"), any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a declaration (*autocertificazione*) of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not listed on a regulated market in Italy or abroad:

- (a) pursuant to the provisions of Decree No. 461 non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from the *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident, for tax purposes: (a) in a White-list State listed in Italian Ministerial Decree dated 4 September 1996, as amended from time to time or (b) as from the tax year in which the decree pursuant to article 168-bis of Decree No 917 is effective, in a State or territory that is included (or deemed to be included, pursuant to Article 1, paragraph 90 of Law No. 244) in the list of States allowing an adequate exchange of information with the Italian tax authorities listed in the decree referred to in Article 168-bis, paragraph 1 of Decree No. 917. Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Option or are subject to the administrative savings regime, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate declaration (*autocertificazione*) stating that they meet the requirement indicated above. The same exemption applies where the beneficial owners of the Notes are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State; and
- (b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Option or are subject to the administrative savings regime, exemption from Italian capital gains tax will apply upon condition that they promptly file with the Italian authorised financial intermediary a self declaration attesting that all the requirements for the application of the relevant double taxation treaty are met.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

Transfer Tax

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to fixed registration tax at rate of €200; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

Inheritance and Gift Tax

The transfer of any valuable assets (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

- (a) 4 per cent. if the transfer is made to spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding euro 1,000,000 (per beneficiary);
- (b) 6 per cent. if the transfer is made to brothers and sisters; in this case, the transfer is subject to the tax on the value exceeding euro 100,000 (per beneficiary);
- (c) 6 per cent. if the transfer is made to relatives up to the fourth degree, to persons related by direct affinity as well as to persons related by collateral affinity up to the third degree;
- (d) 8 per cent. in all other cases.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding euro 1,500,000.

Moreover, an anti-avoidance rule is provided by Law No. 383 of 18 October 2001 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains subject to the substitute tax (*imposta sostitutiva*) provided for by Decree No. 461 of 21 November 1997. In particular, if the donee sells the Notes for consideration within five years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift has never taken place.

Tax monitoring obligations

Italian resident individuals, non commercial entities, non commercial partnerships and similar institutions are required to report in their yearly income tax return, according to Law Decree No. 167 of 28 June 1990 converted into law by Law Decree No. 227 of 4 August 1990, as amended by Law n. 98 of 6 August, 2013 and subsequently amended by Law No. 50 of 28 March 2014, for tax monitoring purposes the amount of Notes held during each tax year. The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Notes deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through their intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a €10,000 threshold throughout the year.

Stamp duty

Pursuant to Article 13 par. 2/ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to their clients in respect of any financial product and instrument (including the Notes), which may be deposited with such financial intermediary in Italy. The stamp duty applies at a rate of 0.2 per cent. and it cannot exceed €14,000 for taxpayers which are not individuals. This stamp duty is determined on the basis of the market value or, if no market value figure is available, on the face value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of the financial assets (including banking bonds, *obbligazioni* and capital adequacy financial instruments) held.

The statement is deemed to be sent at least once a year, even for instruments for which is not mandatory nor the deposit nor the release nor the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable based on the period accounted.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations

issued by the Bank of Italy on 9 February 2011) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201 of 6 December 2011, Italian resident individuals holding financial assets – Including the Notes – outside of the Italian territory are required to pay in its own annual tax declaration a wealth tax at the rate of 0.2 per cent. This tax is calculated on the market value at the end of the relevant year or, if no market value figure is available, on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial asset (including the Notes) held abroad by Italian resident individuals. A tax credit is granted for any foreign property tax levied abroad on such financial assets. The financial assets held abroad are excluded from the scope of the Wealth Tax if administered by Italian financial intermediaries pursuant to an administration agreement.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April, 2005 ("**Decree No. 84**"). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner. Please see "*EU Savings Tax Directive*" below.

Spain Taxation

The following summary is a general description of certain tax considerations relating to the acquisition, ownership and disposal of the Notes. It does not purport to be a complete analysis of all tax consequences relating to the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which might be subject to special rules. This summary is based on the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. In this sense, the Spanish Ministry of Finance and Public Administrations has prepared and recently published different drafts that include reforms in the Spanish tax system. Specifically, they provide amendments to the Personal Income Tax Law and Non Resident Income Tax Law together with a completely new Corporate Income Tax Law. The drafts have been already approved by the Spanish Council of Ministers and are being reviewed in order to be approved by the Spanish Parliament. In this sense, it is foreseen that the approval process will last until next December 2014, so part of the foreseen new measures mentioned in this Base Prospectus may be subject to changes until the reform is finally passed. When mentioning the draft measures included in this summary reference has been made to "the draft tax reform".

Prospective investors should consult their own tax advisers who can provide them with personalised advice based on their particular circumstances. Likewise, investors should consider the legislative changes which could occur in the future.

Tax treatment of the Notes

VAT, Transfer Tax and Stamp Duty

The acquisition and any subsequent disposal of the Notes is exempt from Transfer Tax, Stamp Duties and Value Added Tax as provided for in article 108 of the Stock Market Law and related provisions.

Withholding tax

On the basis that the Issuer is not resident in Spain for tax purposes and does not operate in Spain through a permanent establishment, branch or agency, all payments of principal and interest in respect of the Notes can be made free of any withholding or deduction for or on account of any taxes in Spain.

Under certain conditions, withholding taxes may apply if the Notes are deposited with a Spanish resident entity acting as depositary.

Individuals with tax residency in Spain

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the Personal Income Tax Law, and must be included in each investor's savings income pursuant to the abovementioned law, and taxed according to the then applicable tax rate. During the tax period 2014, each investor's savings income tax base will be taxed at 21 per cent. for taxable income up to EUR 6,000; 25 per cent. for taxable income between EUR 6,001 and EUR 24,000 and 27 per cent. for taxable income in excess of EUR 24,000.

According to the draft tax reform, as from 1 January 2016, each investor's savings income tax base will be taxed at 19 per cent. for taxable income up to EUR 6,000; 21 per cent. for taxable income between EUR 6,000.01 to EUR 50,000 and 23 per cent. for taxable income in excess of EUR 50,000. During tax period 2015 it is foreseen that each investor's savings income tax base will be taxed at 20 per cent. for taxable income up to EUR 6,000; 22 per cent. for taxable income between EUR 6,000.01 to EUR 50,000 and 24 per cent. for taxable income in excess of EUR 50,000.

Income from the transfer of the Notes shall be computed as the difference between the amounts obtained in the transfer, redemption or reimbursement of the Notes and their acquisition or subscription value. Costs and expenses effectively borne on the acquisition and/or disposal of the Notes shall be taken into account, insofar as adequately evidenced, in calculating the income.

Negative income derived from the transfer of the Notes, in the event that the Noteholder had acquired other homogeneous securities within the two months prior or subsequent to such transfer or exchange, shall be included in his or her Personal Income Tax base as and when the remaining homogeneous securities are transferred.

When calculating the net income, expenses related to the management and deposit of the Notes will be deductible, excluding those pertaining to discretionary or individual portfolio management.

Legal entities with tax residency in Spain

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes must be included in the taxable income of legal entities with tax residency in Spain and will be subject to Corporate Income Tax (at the current general rate of 30 per cent.) in accordance with the rules for this tax. According to the draft tax reform, the general rate will be reduced to 28 per cent. for tax periods beginning during 2015 and 25 per cent. for tax periods beginning as from 1 January 2016 and onwards. However, this decrease will not be generally applicable to all corporate income tax payers and, for instance, it will not apply to banking institutions.

Individuals and legal entities with no tax residency in Spain

Both interest payments periodically received and income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who have no tax residency in Spain, and which are Non Resident Income Tax ("NRIT") taxpayers with no permanent establishment in Spain will not be subject to taxation in Spain.

Payments made by the Guarantor

Payments made by a Spanish Guarantor under the Notes may be characterised as an indemnity and, accordingly, be made free and clear of Spanish withholding tax.

However, based on the lack of clear precedents, statements of law or regulations in relation thereto, the Spanish Tax Authorities could take the view that the relevant Spanish Guarantor has validly, legally and effectively assumed (automatically, by contract, or by whatever means necessary) all the obligations of the Issuer, in respect of the Notes. In such event, the Spanish Tax Authorities may attempt to impose withholding tax in Spain on any payments made by any of the Spanish Guarantors in respect of interest, unless the relevant holders of the Notes are either:

- (a) credit entities or financial establishments (establecimientos financieros de crédito) resident in Spain as defined in Article 59 c) of the Corporate Income Tax regulations as approved by Royal Decree 1777/2004, of 30 July;
- (b) Spanish permanent establishments of non-Spanish resident financial entities carrying out the same activities as Spanish resident credit entities as defined in Article 8 of the Non-Residents Income Tax regulations as approved by Royal Decree 1776/2004, of 30 July; or
- (c) any kind of entities resident for tax purposes in a Member State of the EU other than Spain provided that they are not acting through a permanent establishment in Spain; or
- (d) any kind of entities resident for tax purposes in a country with which Spain has signed a Double Tax Treaty ("**Tax Treaty**") that benefit from a tax exemption under the relevant Tax Treaty;

provided that in the cases referred to in (b), (c) and (d) above they are not acting through a territory considered as a tax haven pursuant to Royal Decree 1080/1991 of 5 July; and in the cases referred to in (c) and (d) such holders of the Notes provide the relevant Spanish Guarantor with a certificate of residence issued by the relevant tax administration ("**Tax Residence Certificate**") evidencing their tax residence status (each certificate being currently valid for a period of one year beginning on the date of issue).

In the case of interest payments made by a Spanish Guarantor to the holders of the Notes which are not included in paragraphs (a) to (d) above a withholding tax of 21 per cent. will apply, unless such holders of the Notes benefit from a Tax Treaty, in which case, the relevant provisions established therein will apply (in particular, a reduced rate or a tax exemption). In order to make the provisions of a Tax Treaty effective, the relevant holders of the Notes shall provide to the relevant Spanish Guarantor making the interest payments a Tax Residence Certificate.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the EU Savings Directive.

On 24 March 2014, the Council of the European Union adopted an EU Council Directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the EU Savings Directive to include certain additional types of income, and widen the range of recipients payments to whom are covered by the EU Savings Directive, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by 1 January 2016 (which national legislation must apply from 1 January 2017).

If a payment were to be made or collected through a Member State which has 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 (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note 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 EU Savings Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. or Clearstream Banking, *société anonyme* (together, the "**ICSDs**"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, the Guarantors, any paying agent and the Common Depositary or Common Safekeeper, as applicable, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the securities. The documentation expressly contemplates the possibility that the securities may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive notes will only be printed in remote circumstances.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Barclays Bank PLC, HSBC Bank plc, J.P. Morgan Securities plc, Lloyds Bank plc and The Royal Bank of Scotland plc (the "Dealers"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in a Dealer Agreement dated 22 September 2014 (the "Dealer Agreement") and made between the Issuer, the Guarantors and the Dealers. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer, the Guarantors and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer, the Guarantors and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

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 subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. 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.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act.

The Bearer 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 agreed, and each future Dealer appointed under the Programme will be required to agree, 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 or (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 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 and agreed, and each future Dealer appointed under the Programme will be required to represent and agree, 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 or the Guarantors; 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.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken, and each future Dealer appointed under the Programme will be required to undertake, that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all 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.

Italy

The offering of the Notes has not been registered with the Commissione Nazionale per la Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed, and each future Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 (in each case, as amended from time to time) and any other applicable laws and regulations; and

- (b) in compliance with any other applicable laws and regulations requirement imposed by CONSOB (including, but not limited to, CONSOB Regulation No. 11971 of 14 May 1999, as amended) or another Italian authority.

Spain

Notes may not be offered, sold or distributed in Spain save in accordance with the requirements of Law 24/1988, of 28 July, on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) (the "LMV") as amended and restated, and Royal Decree 1310/2005, of 4 November 2005, partially developing Law 24/1988, of 28 July, on the Securities Market in connection with listing of securities in secondary official markets, initial purchase offers, rights issues and the prospectus required in these cases (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), as amended and restated, and the decrees and regulations made thereunder and by institutions authorised under the LMV and Royal Decree 217/2008, of 15 February, on the legal regime applicable to investment services companies (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión y por el que se modifica parcialmente el Reglamento de la Ley 35/2003, de 4 de noviembre, de Instituciones de Inversión Colectiva, aprobado por el Real Decreto 1309/2005, de 4 de noviembre*) to provide investment services in Spain.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "**Corporations Act**")) in relation to the Programme or any Notes has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission ("**ASIC**") or any other regulatory authority in Australia. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it:

- (a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of, any Notes in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any information memorandum, prospectus or any other offering material or advertisement relating to the Programme or any Notes in Australia,

unless:

- (i) the aggregate consideration payable by each offeree or invitee is at least AUD500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act;
- (ii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act;
- (iii) such action complies with all applicable laws, regulations and directives; and
- (iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

By applying for Notes under the Base Prospectus, each person to whom Notes are issued (an "**Investor**"):

- (a) will be deemed by the Issuer and each of the Dealers to have acknowledged that if any Investor on-sells Notes within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:

- (i) that sale is to an investor within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act to whom it is lawful to offer Notes in Australia without a prospectus or other disclosure document lodged with ASIC; or
 - (ii) the sale offer is received outside Australia; and
- (b) will be deemed by the Issuer and each of the Dealers to have undertaken not to sell those Notes in any circumstances other than those described in paragraphs (a)(i) and (a)(ii) above for 12 months after the date of issue of such Notes.

This Base Prospectus is not, and under no circumstances is to be construed as, an advertisement or public offering of any Notes in Australia.

General

Each Dealer has represented and agreed, and each future Dealer appointed under the Programme will be required to represent and agree, that, to the best of its knowledge and belief, it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantors 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 possess, distribute or publish this Base Prospectus or any Final Terms or any related 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.

GENERAL INFORMATION

Authorisation

1. The establishment of the Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 11 September 2014.
2. The giving of the Guarantee of the Notes has been authorised by a resolution of the Board of Directors of each of the Guarantors passed on or about 19 September 2014.

Legal and Arbitration Proceedings

3. Save as disclosed in this Base Prospectus on pp.84-85 (see "*Litigation and Investigations*"), there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantors are aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Babcock Group.

Significant/Material Change

4. There has been no material adverse change in the prospects of the Issuer or the Guarantors since 31 March 2014. Save for the contribution of the Avincis Group with effect from 16 May 2014, there has been no significant change in the financial or trading positions of the Babcock Group since 31 March 2014. For a *pro forma* illustration of the effect of the contribution of the Avincis Group to the Babcock Group, see "*Unaudited Pro Forma Consolidated Financial Information*".

Auditors

5. The consolidated financial statements of the Babcock Group have been audited without qualification for the years ended 31 March 2014 and 31 March 2013 by PricewaterhouseCoopers LLP, of 1 Embankment Place, London, WC2N 6RH, independent accountants.

Auditors report on the compilation of pro forma financial information

6. PricewaterhouseCoopers LLP, of 1 Embankment Place, London, WC2N 6RH, independent accountants, has given, and has not withdrawn, its consent to the inclusion in this Base Prospectus of its report on the unaudited *pro forma* financial information, in the form set out in "*Unaudited Pro Forma Consolidated Financial Information*" to this Base Prospectus and has authorised the content of that report solely for the purposes of item 5.5.4R(1)(f) of the Prospectus Rules.

Documents on Display

7. Copies of the following documents may be inspected during normal business hours at the registered office of the Issuer and the specified office of the Issuing and Paying Agent:
 - (a) the constitutive documents of the Issuer;
 - (b) the constitutive documents of each of the Guarantors;
 - (c) the audited consolidated financial statements of the Babcock Group for the years ended 31 March 2014 and 31 March 2013 and the *pro forma* unaudited consolidated financial statements of the Babcock Group for the year ended 31 March 2014;
 - (d) the audited consolidated financial information of the Avincis Group in respect of the year ended 31 December 2013 (prepared in accordance with the Issuer's accounting standards);
 - (e) the Trust Deed (which contains the forms of Notes in global and definitive form);
 - (f) the Agency Agreement;
 - (g) the Dealer Agreement; and

- (h) the Issuer-ICSDs Agreement.

Clearing of the Notes

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

Issue Price and Yield

- 9. Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer, the Guarantors and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the relevant Final Terms. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes set out in the relevant Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

REGISTERED OFFICE OF THE ISSUER

Babcock International Group PLC

33 Wigmore Street
London W1U 1QX
United Kingdom

REGISTERED OFFICES OF THE GUARANTORS

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United Kingdom

Babcock Airports Ltd

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United Kingdom

Babcock Marine (Rosyth) Ltd

Rosyth Business Park
Rosyth
Dunfermline
Fife KY11 2YD
United Kingdom

Babcock Marine (Clyde) Ltd

Rosyth Business Park
Rosyth
Dunfermline
Fife KY11 2YD
United Kingdom

Babcock Networks Ltd

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London W1U 1QX
United Kingdom

Babcock Support Services Ltd

c/o DWF LLP Dalmore house
310 St Vincent Street
Glasgow G2 5QR
United Kingdom

Cavendish Nuclear Limited

33 Wigmore Street
London W1U 1QX
United Kingdom

Devonport Royal Dockyard Ltd

Devonport Royal Dockyard,
Devonport
Plymouth, PL1 4SG
United Kingdom

Babcock Rail Ltd

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London W1U 1QX
United Kingdom

Frazer-Nash Consultancy Ltd

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Plymouth, PL1 4SG
United Kingdom

LSC Group Ltd

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Lichfield WS13 8RZ
United Kingdom

Rosyth Royal Dockyard Ltd

c/o Babcock International
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Rosyth
Dunfermline
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United Kingdom

Babcock Pty Ltd

689-695 Mersey Road
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South Australia, 5017
Australia

Babcock Integrated Technology Ltd

33 Wigmore Street
London W1U 1QX
United Kingdom

Babcock Aerospace Ltd

33 Wigmore Street
London W1U 1QX
United Kingdom

Babcock Flagship Ltd

33 Wigmore Street
London W1U 1QX
United Kingdom

Babcock Communications Ltd

33 Wigmore Street
London W1U 1QX
United Kingdom

Babcock Land Ltd

33 Wigmore Street
London W1U 1QX
United Kingdom

Inaer Helicopteros, SAU

Partida La Almaina, nro. 92
03110, Mutxamel
Alicante
Spain

Inaer Aviation Italia, S.P.A.

Piazza Castello, nro. 26
20121, Milan
Italy

Bond Offshore Helicopters Ltd

Gloucestershire Airport
Staverton
Cheltenham GL51 6SP
United Kingdom

Bond Aviation Group Ltd

Gloucestershire Airport
Staverton
Cheltenham GL51 6SP
United Kingdom

Inaer Fleet Management, S.A.U.

Partida La Almaina, nro. 92
03110, Mutxamel
Alicante
Spain

ARRANGER

The Royal Bank of Scotland plc

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London EC2M 3UR
United Kingdom

DEALERS

Barclays Bank PLC

5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Lloyds Bank plc

10 Gresham Street
London EC2V 7AE
United Kingdom

The Royal Bank of Scotland plc

135 Bishopsgate
London EC2M 3UR
United Kingdom

TRUSTEE

The Law Debenture Trust Corporation p.l.c.

Fifth Floor, 100 Wood Street,
London EC2V 7EX
United Kingdom

REGISTRAR

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

PRINCIPAL PAYING AGENT

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

PAYING AGENTS AND TRANSFER AGENTS

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

LEGAL ADVISERS

To the Issuer and the Guarantors as to English law:

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Dealers and the Trustee as to English law:

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

To the Issuer and the Guarantors as to Scots law:

Pinsent Masons LLP
Princes Exchange
1 Earl Grey Street
Edinburgh EH3 9AQ
United Kingdom

To the Issuer and the Guarantors as to Italian law:

Clifford Chance Studio Legale Associato
Piazzetta M. Bossi, 3
20121 Milan
Italy

To the Issuer and the Guarantors as to Spanish law:

Clifford Chance S.L.
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28046 Madrid
Spain

To the Issuer and the Guarantors as to Australian law:

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To the Issuer and the Guarantors as to Australian Taxation law:

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