



National Express Group PLC

(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 2590560)

guaranteed by

West Midlands Travel Limited

(incorporated with limited liability in England and Wales under the Companies Act 1985 with registered number 2652253)

£1,000,000,000

Euro Medium Term Note Programme

Under the Programme, National Express Group PLC (the “**Issuer**”) may from time to time issue notes (the “**Notes**”) guaranteed by West Midlands Travel Limited (the “**Guarantor**”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive (as defined below), the minimum denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of such Notes).

This Base Prospectus has been approved by the Financial Services Authority (the “**FSA**”), in its capacity as United Kingdom competent authority for the purposes of Directive 2003/71/EC (as amended, the “**Prospectus Directive**”) and the relevant implementing measures in the United Kingdom (the “**UK Listing Authority**”), as a base prospectus in accordance with Article 5.4 of the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of 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 the Notes to be admitted during the period of twelve months after the date hereof to listing on the official list of the UK Listing Authority (the “**Official List**”) and to trading on the Regulated Market of the London Stock Exchange plc (the “**London Stock Exchange**”). The Regulated Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (2004/39/EC) (“**MIFID**”). The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.

The Issuer has been assigned a rating of Baa3 from Moody’s Investors Service Ltd. (“**Moody’s**”) and BBB- from Fitch Ratings Ltd. (“**Fitch**”). Each of Moody’s and Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended, the “**CRA Regulation**”). A Series (as defined below) of Notes issued under the Programme may also be rated or unrated. Where a Series of Notes is rated, any such rating will be specified in the relevant Final Terms and will not necessarily be the same as the rating assigned to the Issuer. **A credit 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 and the Guarantor to fulfill their respective obligations under the Notes are discussed under “Risk Factors” on pages 6 to 17 of this Base Prospectus.

Arranger

Barclays

Dealers

Banco Bilbao Vizcaya Argentaria, S.A.

BofA Merrill Lynch

HSBC

Barclays

Commerzbank

Mitsubishi UFJ Securities

BNP Paribas

Crédit Agricole CIB

**Société Générale Corporate & Investment
Banking**

The Royal Bank of Scotland

19 November 2012

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IMPORTANT NOTICES

The Issuer accepts responsibility for all the information contained in this Base Prospectus and any Final Terms. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Guarantor accepts responsibility for the information contained in this Base Prospectus and any Final Terms, excluding the information set forth under “Description of the Issuer” on pages 63 to 71 and item (i) under “1. Authorisation”, the first paragraph under “4. Legal and Arbitration Proceedings” and the first paragraph under “5. Significant/Material Adverse Change” set forth under “General Information” on page 79 (the “**WMTL Information**”), and to the best of the knowledge of the Guarantor (having taken all reasonable care to ensure that such is the case), the information contained in the WMTL Information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under “Terms and Conditions of the Notes” (the “**Conditions**”) as completed by a document specific to such Tranche called final terms (the “**Final Terms**”) or in a separate prospectus specific to such Tranche (the “**Drawdown Prospectus**”) as described under “Final Terms, Supplements and Drawdown Prospectuses” below. 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. This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any documents 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.

No person has been authorised to give any information or to make any representation not contained or incorporated by reference in or not consistent with this Base Prospectus and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor or any Dealer.

None of the Dealers, the Trustee and 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 undertaking (express or implied) or accepts any responsibility or liability as to the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus.

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently 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 Guarantor 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.

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. None of the Issuer, the Guarantor and any of the Dealers represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or any Dealer which would permit a public offering of any Notes, or distribution of this document, in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations, and the Dealers have represented that all offers and sales by them will be made on the same terms.

Persons into whose possession this Base Prospectus or any Final Terms come, are required by the Issuer, the Guarantor 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 (as defined below) have not been and will not be registered under the United States

Securities Act of 1933 (as amended, the “**Securities Act**”) and will include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

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

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of an investment in the Notes in light of its own circumstances. In particular, each potential investor should 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 relevant Notes, the merits and risks of investing in the relevant 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 relevant Notes and the impact such investment 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 relevant Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which the potential investor's financial activities are principally denominated;
- (iv) understands thoroughly the terms of the relevant Notes and is familiar with the behavior of any relevant indices and 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.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of such Notes).

The maximum aggregate principal amount of Notes outstanding and guaranteed at anyone time under the Programme will not exceed £1,000,000,000 (and for this purpose, any Notes denominated in another currency shall be converted into pounds sterling at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under “Subscription and Sale”.

In this Base Prospectus, unless otherwise specified, references to a “**Member State**” are references to a Member State of the European Union, references to “**U.S.\$**”, “**U.S. dollars**” or “**dollars**” are to United States dollars, references to “**EUR**”, “**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 947/98 of 3 May 1999 on the introduction of the euro, as amended, references to “**sterling**”, “**pounds sterling**” or “**£**” are to the currency of the United Kingdom and references to “**CAD**” are to Canadian dollars.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named 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 shall be conducted in accordance with all applicable laws and rules.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. The words “believe”, “anticipate”, “expect”, “intend”, “plan”, “predict”, “continue”, “assume”, “positioned”, “may”, “will”, “should”, “shall”, “risk” and other similar expressions that are predictions of or indicate future events and future trends identify forward looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements under the headings “Summary of the Programme”, “Risk Factors”, “Description of the Issuer” and “Description of the Guarantor” regarding the Group’s strategy and other future events or prospects are forward-looking statements. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Issuer’s and/or the Guarantor’s control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Recipients of this document are cautioned that forward-looking statements are not guarantees of future performance and that the Group’s actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that the Issuer and/or the Guarantor, or persons acting on their behalf, may issue. Factors that may cause the Group’s actual results to differ materially from those expressed or implied by the forward-looking statements in this document include but are not limited to the risks described under “Risk Factors”.

These forward-looking statements reflect the Issuer’s and/or the Guarantor’s judgement at the date of this document and are not intended to give any assurances as to future results. Save as required by the rules of the UK Listing Authority, the Issuer and the Guarantor undertake no obligation to update these forward-looking statements, and will not publicly release any revisions they may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. The Issuer and the Guarantor will comply with their obligations to publish updated information as required by law or by any regulatory authority but assume no further obligation to publish additional information.

OVERVIEW

The following is an overview of the principal features of the Notes and is qualified in its entirety by the detailed information appearing elsewhere in this Base Prospectus and, in particular, under “Terms and Conditions of the Notes”. Potential purchasers of Notes are urged to read this Base Prospectus in its entirety. Terms used in this overview and not otherwise defined shall have the meanings given to them in the “Terms and Conditions of the Notes”.

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| Issuer: | National Express Group PLC (the “ Issuer ”) |
| Guarantor: | West Midlands Travel Limited (the “ Guarantor ” or “ WMTL ”) Other subsidiaries of the Issuer may become guarantors of the obligations under the Notes to be issued under the Programme as described in Condition 4 (<i>Status of Notes and Guarantees</i>). WMTL and any other subsidiary that becomes a guarantor of the obligations under the Notes to be issued under the Programme may also cease to be a guarantor in certain circumstances, as described in Condition 4 (<i>Status of Notes and Guarantees</i>). |
| Risk Factors: | Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer and each Guarantor to fulfil their respective obligations under the Notes are discussed under “Risk Factors”. |
| Arranger: | Barclays Bank PLC. |
| Dealers: | Banco Bilbao Vizcaya Argentaria, S.A. Barclays Bank PLC BNP Paribas Commerzbank Aktiengesellschaft Crédit Agricole Corporate and Investment Bank HSBC Bank plc Merrill Lynch International Mitsubishi UFJ Securities International plc Société Générale The Royal Bank of Scotland plc The Issuer and the Guarantor may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to “Permanent Dealers” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches. |
| Trustee: | BNY Mellon Corporate Trustee Services Limited |
| Final Terms or Drawdown Prospectus: | Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated 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 by the relevant Final Terms or, as the case may be, the relevant Drawdown Prospectus.

The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Clearing Systems:

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

Initial Programme Amount:

Up to £1,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.

Issuance in Series:

Notes will be issued in Series (each a “**Series**”). Each Series may comprise one or more Tranches (each a “**Tranche**”) issued on different issue dates. Each Tranche will be the subject of Final Terms which complete certain Terms and Conditions of the Notes.

Forms of Notes:

Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a “**Classic Global Note**” or “**CGN**”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a “**New Global Note**” or “**NGN**”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes only in certain limited circumstances specified therein. Definitive Notes, if issued, will, if interest-bearing, have Coupons attached and, if appropriate a Talon for further Coupons.

Currencies:

Notes may be denominated in such currencies as the Issuer and the relevant Dealers may agree, as specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated.

Status of the Notes:

The Notes and the Coupons constitute direct, unconditional and (subject to the provisions of Condition 5 (*Negative Pledge*))

unsecured obligations of the Issuer which will rank pari passu among themselves and (subject to the provisions of Condition 4(a) (*Status of the Notes*)) at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. See “Terms and Conditions of the Notes”.

Status of the Guarantee:

The payment obligations of the Guarantor constitute direct, unconditional and (subject to the provisions of Condition 5 (*Negative Pledge*)) unsecured obligations of the Guarantor and (subject to the provisions of Condition 4(b) (*Status of the Guarantee*)) will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. See “Terms and Conditions of the Notes”.

Issue Price:

Notes may be issued at any price 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 as specified in the relevant Final Terms, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Any Notes having a maturity of less than one year must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer.

Redemption:

Notes may be redeemable at the Redemption Amount specified in the relevant Final Terms.

Optional Redemption:

Notes may be redeemed before their stated maturity at the option of the Issuer as described in Condition 9(c) (*Redemption at the option of the Issuer*) and/or the Noteholders as described in Condition 9(e) (*Redemption at the option of the Noteholders*) to the extent (if at all) specified in the relevant Final Terms.

Tax Redemption:

Except as described in “Optional Redemption” above, early redemption will only be permitted for tax reasons as described in Condition 9(b) (*Redemption for tax reasons*).

Change of Control Redemption:

Noteholders may have the option to require the Issuer to redeem or, at the Issuer’s option, purchase Notes on the occurrence of a Change of Control Put Event to the extent (if at

all) specified in the relevant Final Terms, as described in Condition 9(f) (*Change of control redemption*).

- 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:** The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer or such other amount as may be required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, save that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of such Notes). See also “Maturities” above.
- Negative Pledge:** The Notes will have the benefit of a negative pledge as described in Condition 5 (*Negative Pledge*).
- Cross Default:** The Notes will have the benefit of a cross default as described in Condition 12(c) (*Cross Default*).
- Taxation:** All payments in respect of Notes and Coupons by or on behalf of the Issuer or the Guarantor will be made free and clear of, and without withholding or deduction for or on account of taxes in the United Kingdom, unless the withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor will (subject as provided in Condition 11 (*Taxation*)) pay such additional amounts as will result in the Noteholders and Couponholders receiving such amounts as they would have received in respect of such Notes or Coupons had no such withholding or deduction been required.
- Governing Law:** The Notes will be governed by and construed in accordance with English law.
- Selling Restrictions:** For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, Japan and the European Economic Area (including the United Kingdom), see “Subscription and Sale” below.
- Rating** The Issuer has been assigned a rating of Baa3 from Moody’s and BBB- from Fitch. Each of Moody’s and Fitch is established in the European Union and is registered under the CRA Regulation”). A Series (as defined below) of Notes issued under the Programme may also be rated or unrated. Where a Series of Notes is rated, any such rating will be specified in the relevant Final Terms and will not necessarily be the same as the rating assigned to the Issuer. A credit 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.

Listing and Trading:

Application has been made to the FSA, in its capacity as competent authority, for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market.

RISK FACTORS

Prospective investors should consider carefully the risks set forth below and the other information contained in this Base Prospectus prior to making any investment decision with respect to the Notes. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial condition or prospects of the Issuer and the Guarantor which, in turn, could affect their ability to fulfil their respective obligations under the Notes. In addition, each of the risks highlighted below could adversely affect the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.

Prospective investors should note that the risks described below are not the only risks the Issuer and Guarantor face. The Issuer and the Guarantor have only described those risks in connection with the Notes and their ability to fulfil their respective obligations under them which they consider to be material. There may be additional risks that the Issuer and the Guarantor currently consider not to be material or of which they are not currently aware, and any of these risks could have the effects set forth above.

Prospective investors should read the entire Base Prospectus, together with the documents incorporated by reference herein. 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.

Investing in Notes issued under the Programme involves certain risks. Prospective investors should consider, among other things, the following:

Risks Relating to the Issuer, the Guarantor and the Group

Failure by the Group to maintain certain financial ratios set out in the Facility (as defined below) could result in an event of default under the Facility

The Group is dependent on maintaining certain financial ratios in order to comply with its banking covenants in the £500,000,000 Sterling Revolving Credit Facility dated 12 July 2010 (the “**Facility**”). These financial ratios relate to the ratio of the Group’s debt to its the earnings before exceptional items, interest, tax, depreciation and amortisation (“**EBITDA**”) and the ratio of the Group’s income to its EBITDA. The Group is currently in compliance with its banking covenants which were last tested as at 30 June 2012 and the board of directors of the Issuer (the “**Board**”) believes that the Group will continue to maintain appropriate levels of covenant headroom for at least the next 12 to 18 months.

There can be no certainty that in the longer term the Group will be able to maintain the required financial ratios in order to comply with its banking covenants. In particular, the ability of the Group to maintain these financial ratios may depend on matters that are either wholly or partly outside the Group’s control, including the results of ongoing operations. In these circumstances, the Group would need to seek to agree with its lenders an extension or deferral of these covenants or waiver of any such covenant breach. However, there can be no certainty that the lending banks under the Facility would in these circumstances agree to an extension or deferral of the Group’s banking covenants or a waiver of any likely breach of these covenants.

In the event of any breach of the Group’s banking covenants, the Group’s lending banks would be entitled to call an event of default under the Facility and, as a result of cross-default provisions, default may also arise in respect of certain other financial indebtedness of the Group including the Notes. In these circumstances, the lending banks under the Facility would be permitted to exercise certain rights, including the right to cancel the Facility, accelerate the payment of sums owing under the Facility, enforce any security and guarantees granted by the Issuer and certain other members of the Group, and initiate insolvency or similar proceedings against the Issuer and any Group companies which have granted such security and/or guarantees in connection with the Facility. Any of these steps could, whether singularly or in the aggregate, have a material adverse effect on the Group. In such circumstances the Group may be unable to continue trading.

The ongoing operations of the Group’s UK Rail business are dependent upon the retention and renewal of its franchise agreements

The Group is required to comply with certain, principally performance-related, conditions as part of its UK rail franchise agreements. Compliance with franchise conditions is closely managed and monitored by senior

management and procedures are in place to minimise the risk of non-compliance. However, if these procedures are not successful and the Group fails to comply with the conditions of its franchise agreements, it may be liable to penalties, including the potential termination of the applicable franchise agreement. This may result in the Group losing the right to continue operating the affected operations and consequently, the related revenues or cash flows. The Group may also lose some or all of the amounts set aside as security for performance bonds and the cash benefit of season ticket pre-payments, which would be required to be transferred to the new franchisee. The loss of such franchise agreements could also result in a loss of confidence in the Group both within the industry and by the public. It could also affect the Group's ability to bid for and win future contracts. Any such loss of revenues or cash flow or a negative impact on reputation could materially and adversely impact the Group's business, financial condition and results of operations.

Any failure by the Group successfully to bid for any franchise currently operated by it that comes up for renewal, or any failure to obtain an extension of a franchise at the relevant time, or any extension or renewal of a franchise on substantially less favourable terms may in each case have a material adverse effect on the Group's business, financial condition and results of operations.

Bid assumptions on the part of the Group may prove to be incorrect

Much of the Group's business is secured through winning new contracts, particularly in connection with its rail division ("UK Rail"), and also its North American school bus business and its operations in Spain. An inherent risk in contract bidding is that bid assumptions might prove to be incorrect; for example, in UK Rail, if underlying economic growth proves to be lower than anticipated in the bid, passenger revenue is likely to be negatively impacted. If any of the Group's significant bid assumptions prove to be incorrect, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group relies on the ability of management to successfully implement initiatives and other organisational changes designed to increase operating efficiencies and improve results of operations

To reflect changing economic, market and technological conditions, from time to time management undertakes initiatives and other organisational changes designed to increase operating efficiencies and improve results of operations. Undertaking such initiatives and organisational changes can create uncertainty and increase the Group's financial risk, and the Group relies on the ability of management to implement these initiatives successfully in order to mitigate such uncertainty and risk and to increase operating efficiencies and improve its results of operations. In addition, should the Group contemplate any disposals as part of such initiatives or organisational changes, there can be no assurance that the Group will be able to anticipate all associated organisational and separation issues. If the Group's management is unable to implement such initiatives and organisational changes successfully, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The continuing financial viability of certain of the Group's contract-based businesses are dependent on maintaining a minimum number of contracts

Certain of the Group's contract-based businesses, particularly its North American school bus business and its Spanish coach business, need to maintain a minimum number of contracts (such minimum number being dependent on the size of contracts obtained) in order to justify the overheads of running those businesses. If the Group is unable to bid competitively for new contracts, or if the Group is unable to maintain appropriate relationships with key stakeholders by, among other things, maintaining high standards of passenger service and satisfaction, such contract-based businesses may not be able to retain their existing scale of operations. This would result in a negative impact on the relevant business' cost assumptions and profitability thereby having a material adverse effect on the Group's business, financial condition and results of operations.

The Group's UK Coach business is dependent on a number of third party operators

The Group's coach division ("UK Coach") business is dependent on the outsourcing of the operation of the majority of its services to third parties. Whilst the Group contractually regulates the performance of these third party services, it can exercise little control over many of these third party operators' day to day actions and is reliant on them to perform their services in accordance with the terms of their contracts, which increases its vulnerability to problems with the services they provide. The Group may not be successful in recovering any losses which result from the failure of third party operators to comply with their contractual obligations to the Group and third party operators may seek to recover losses from the Group under indemnities or in respect of breaches of obligations or warranties under their agreements with the Group. In addition, third party operators may give notice of termination of service (typically six months in advance), requiring the Group to find a new

operator which may result in service disruption. Such events and any significant disruption in the supply of services or failure to handle current or higher volumes of use by these third party operators or any other adverse event affecting the Group's relationship with them could have a material adverse effect on the Group's reputation, and consequently a material adverse effect on its business, financial condition and results of operations.

The Group may be required to increase its contributions to its pension schemes and may be exposed to restrictions on its corporate activities

The Group operates a number of defined benefit pension schemes, including two local Government Pension Schemes ("LGPS"), and is consequently exposed to the risk that the cash contributions required to be made to these schemes increase due to changes in factors such as investment performance, the rates used to discount liabilities and life expectancies. Such schemes have experienced an increase in combined actuarial deficits as a result of poor returns in equity and bond markets and other changes in assumptions.

Changes in the regulatory and funding environment in respect of the defined benefit pension schemes, including the LGPS, could result in the Group being required to increase significantly its future cash funding and/or being restricted from engaging in certain corporate activities, including disposals and any return of equity capital. During 2012, the Group completed a buy-in of the existing pensioner liabilities in the West Midlands LGPS with Prudential. This insurance policy covers around 50 per cent. of the fund's liabilities, with Prudential becoming responsible for the existing pensioner payments, investment returns on this liability and the longevity risk of these pensioners. This transaction has helped reduce the overall risk associated with the West Midlands LGPS by passing the risks of investment market volatility and any unanticipated increases in life expectancy of the pensioners to Prudential. The next triennial review of the funding position in relation to the West Midlands LGPS is due to take place with a reference date of 31 March 2013 and the next triennial review of the Group's principal non-rail defined benefit scheme is due to take place on 5 April 2013. There can be no assurances that the results of these reviews or any discussions with the applicable scheme trustees will not result in the Group being required to increase its future cash funding obligations. Any requirement for the Group to increase its cash contributions, or to restrict its corporate activities, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's defined benefit pension scheme deficits are calculated on an IAS19 basis and as at 31 December 2011 these schemes had a combined deficit under IAS19 of £1.8 million. Under applicable legislation, however, the pension scheme trustees may adopt a funding basis which results in a significantly higher deficit within those schemes than if calculated on an IAS19 basis. Accordingly, the contributions necessary to remedy those deficits may be significantly higher than the IAS19 position would suggest which could have a material adverse effect on the Group's business, financial condition and results of operations.

The UK rail businesses of the Group participate in the Railways Pension Scheme ("RPS"), which is a sectionalised pension scheme open to companies operating in the UK railway industries, and open to eligible new members within such companies. The Group's rail businesses, as designated employers for the RPS, must fund their share of the pension liability of the sections of the RPS they participate in during the duration of their franchises in accordance with the schedule of contributions agreed with the RPS trustees and actuaries. It has to date been the Department for Transport's interpretation of the franchise agreements and the Group's experience, that any pension deficits existing at the end of their franchise agreements are transferred to the new franchisee, without cash settlement. However, although this has been the Group's experience to date, the liability to fund a pension's deficit may crystallise during or at the end of a franchise agreement and the Group may become liable for such liabilities. Should such liabilities crystallise and the Group be required to fund any deficit, this could have a material adverse effect on the Group's cash flow.

The Group is liable for a significant proportion of certain types of successful claims against it without being able to claim under its external insurance policies

The Group's policy is to self-insure high frequency claims within its businesses. As a result, the policy deductibles on a number of the Group's external insurance policies provide that a significant proportion of any successful claim must be met by the Group instead of under the applicable policy.

In the UK, given the nature of the Group's business, most claims relate to its bus and coach operations. In relation to losses arising from motor related liability, the Group is entitled to recover under its external insurance policies, subject to an excess of £250,000 in aggregate per claim, which cannot be recovered. Claims in the UK relating to employers and public liability, which would include the majority of claims arising in the UK rail

division, are also subject to an excess of £250,000 in aggregate per claim, which is not recoverable from an external insurance market.

With regard to the Group's North American business, claims under applicable external insurance policies for liabilities arising out of damage caused by one of the Group's school buses are subject to an excess of US\$ 5 million/CAD 5 million. An excess of US\$ 2 million also applies to any claims for workers' compensation in the US. Moreover, a number of the Group's other external insurance policies are subject to an excess of £1 million/US\$ 1 million/CAD 1 million per claim, which cannot be recovered. These policies include the Group's property and business liability insurance policy and global crime insurance policy.

Therefore, the Group must in certain circumstances cover a significant proportion of any successful claim made against it by way of cash payments. Any requirement for the Group to make substantial payments in respect of any successful claim or series of unrelated claims made against it could result in significant cash outflows and there can be no assurance that such cash outflows would not have a material adverse effect on the Group's cashflow position.

The Group relies on the experience and continuity of key personnel for the success of its business

Attracting and retaining key members of senior management is vital in ensuring that the Group continues to have the necessary expertise and continuity to execute its strategy. However, there can be no assurances that the Group will continue to be able to attract and retain the appropriate members of senior management. A failure to attract, or the loss of, such key members of senior management could have a material adverse effect on the Group's business, financial condition and results of operations.

If the Group is unable to successfully recruit and retain qualified employees, this may adversely impact its business, financial condition and results of operations

The Group's business depends on delivering high quality, reliable services, cost efficiently. Staff costs are the largest single component of the Group's costs, representing around one third of the Group's total operating costs in the 2011 financial year. Service delivery therefore requires access to, and retention of, high calibre staff, including in particular train, bus and coach drivers, at an affordable cost. Labour shortages, or low unemployment rates, could hinder the Group's ability to recruit and retain qualified employees leading to a higher than expected increase in the Group's staff costs, including the costs of recruiting and training train, bus and coach drivers, in addition to having a material adverse effect on the Group's service delivery. If the Group is not successful in its recruitment and retention of qualified employees, this may have a material adverse effect on the Group's business, financial condition and results of operations.

Industrial actions taken by organised labour unions could have a material adverse effect on the Group's business, financial condition and results of operations

The Group's UK and Spanish divisions are heavily unionised with around 90 per cent. of the UK division's employees and around 40 per cent. of the Spanish division's employees represented by collective bargaining agreements. Approximately 30 per cent. of employees in the North American division are represented by collective bargaining agreements and the board acknowledges that there is growing pressure for unionisation of its employees in its North American school bus business. Whilst the Group operates within its Workplace Rights Policy on a global basis, significant industrial action in any of the Group's businesses could result in a significant disruption of operations and increased costs and/or damage to its reputation, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's businesses are dependent on it maintaining its brands in each jurisdiction in which it operates and the Group is also exposed to reputational risks related to the transport industry

The Group is dependent on maintaining its brands in each jurisdiction in which it operates in order to maintain and grow its businesses. The Group's brands are an important asset of its businesses and central to the Group's success. The Group is exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not valid, could harm its reputation. The Group's reputation could also be adversely affected if its services do not perform as expected. In addition, the Group's reputation could be affected by the conduct or performance of third parties, such as those to which it outsources the operation of its UK Coach business, and over which it has no control. The Group may also be unable to protect its brands against third party competition, and any future re-branding or brand expansion could be restricted by pre-existing third party intellectual property rights.

The Group is also exposed to adverse publicity relating to the transport industry as a whole. An incident related to, or the conduct of, a competitor unrelated to the Group may taint the reputation of the industry as a whole and may affect the perception of passengers, investors and the attitude of regulators.

Furthermore, negative publicity may result in greater regulatory scrutiny of the Group's operations and of the industry generally. If the Group is unable to maintain its brands in each of the jurisdictions in which it operates or should there be reputational damage to the transport industry as a whole, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to risks resulting from currency fluctuations and hedging activities

Fluctuations in foreign exchange rates give rise to translation risk and effect the value of those liabilities denominated in foreign currencies. In addition, there can be no certainty that the Group's cashflows across its various operational currencies will be in similar proportions to the Group's financial liabilities in those same currencies. Accordingly, exchange rate fluctuations may have an impact on the Group's longer term financial position, including its ability to comply with its financial covenants.

The Group also prepares its financial statements in Sterling, but generates a significant proportion of its revenue in other currencies. To the extent that its revenues are received in currencies other than Sterling, and currency exchange rates become unfavourable, the Group may lose some of the economic value of its revenue in Sterling terms. As the Group grows its overseas operations, it may receive more of its revenue in currencies other than Sterling. Hedging strategies, such as forward contracts, options and foreign exchange swaps, that may be implemented to mitigate this risk may not eliminate the Group's exposure to foreign exchange rate fluctuations which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to the risk of litigation and other adversarial proceedings

The Group is exposed to the risk of litigation, regulatory proceedings and other adversarial proceedings (with or without merit) from its passengers, employees, regulatory authorities, competitors and other parties. Although as stated in the section under "General Information" of this Base Prospectus under "4. Legal and Arbitration Proceedings", neither the Issuer, the Guarantor nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have, or have had during the 12 months prior to the date of this document, a significant effect on the Issuer's, the Guarantor's and/or the Group's financial position or profitability, no assurance can be given that proceedings or disputes (actual or threatened) which could have such effect will not arise in the future.

The Group may be unable to retain, extend or renew a number of its short-term property leases and licences in respect of its UK Coach business

A significant proportion of the Group's operational property interests in respect of its UK Coach business are short-term leases due to expire before 2013. In addition, certain of the Group's short-term property leases in respect of its UK Coach business have expired and the Group continues to occupy such properties under tenancies at will, whilst renewal leases are negotiated. The Group also occupies other properties for its UK Coach business on the basis of licences to occupy and rights contained within operating agreements which may be terminated on relatively short notice.

There is a risk that the Group may be unable to renew such arrangements when they expire or are terminated. If the Group is able to renew such arrangements, such renewals may be on terms that are less favourable to the Group than those under existing arrangements. Where the Group is unable to renew such arrangements or otherwise continue to use such properties, there can be no assurance that the Group will be able to secure substantially similar alternative properties in equivalent locations at equivalent terms, or at all. Accordingly, if the Group loses its ability to continue to operate from its current operational locations, or if the Group accepts leases or licences on significantly less favourable terms, this could have a material adverse effect on the Group's business, financial condition and results of operations.

Continuity of the Group's businesses is dependent on the Group's IT systems, which may fail or be subject to disruption

The Group's operations are highly dependent on advanced information systems, including internal bespoke and third party licensed software, and there is a risk that such technology could fail. In addition to such failure, there

can be no assurance that such technology or systems will not be subject to damage or interruption caused by human error, unauthorised access, computer viruses, denial of service, attacks, sabotage, natural hazards or disasters or other similarly disruptive events, including other security breaches. The Group has in place disaster recovery procedures, security measures, support and maintenance, usually provided in-house in the first instance and thereafter by third party contractors, in the event of failure or disruption, but such procedures and measures may not anticipate, prevent or mitigate any material adverse effect of such failure or disruption on the Group's business, financial condition and results of operations.

Furthermore, the Group may at any time be required to expend significant capital or other resources to protect against failure and disruption, including the replacement or upgrading of its existing business continuity systems, procedures and security measures. If replacements, expansions, upgrades and other maintenance are not completed efficiently or there are operational failures, the quality of service experienced by passengers may decline. If, as a result, passengers were to reduce or stop their use of the Group's services, this could have a material adverse effect on the Group's business, financial condition and results of operations. Additionally, if the Group is unable to acquire or implement new technology, it may suffer a competitive disadvantage, which could also have a material adverse effect on the Group's business, financial condition and results of operations.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List.

Demand for the Group's services may be adversely affected by economic conditions beyond the Group's control

As a result of difficult economic conditions and the hand back of the National Express East Anglia UK rail franchise in February 2012, the Group has experienced a slowdown in economic growth. Performance of the Group's UK Coach Business has been disappointing, following the withdrawal of the UK government senior citizen concession scheme in November 2011.

Demand for the Group's services, like those of other public transportation operators and those of other participants in any industry, is influenced by general economic trends. There can be no assurance that the Group's business, financial condition and results of operations will not continue to be materially and adversely affected by general economic trends. The difficult global conditions in which the Group currently operates are unprecedented in the Group's operating history, and if such conditions continue or worsen, there can be no assurance that they will not have a further material adverse effect on the Group's business, financial condition and results of operations. The number of bus, coach and rail journeys taken by passengers in the markets in which the Group operates may decrease as relative disposable income decreases, unemployment increases and the spending habits of passengers change to reflect the increased uncertainty and nervousness regarding current economic conditions.

The Group's ability to reduce service levels in times of weaker demand varies from business to business, and there can be no assurance that the Group will be able appropriately to reduce service levels to mitigate any material effect of a decrease in passenger journeys on its profitability. This relates particularly to the UK Rail business, where franchise agreements may specifically restrict the Group's ability to reduce service levels. Revenue from the Group's UK Rail business has historically been correlated with gross domestic product ("GDP") and employment and, given the high proportion of fixed costs in connection with any rail franchise, any deterioration in GDP and employment may have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, though it is likely that a downturn in the economy of a particular jurisdiction in which the Group operates may adversely affect the Group's business, financial condition and results of operations, the extent of such impact is uncertain. Current economic conditions in Spain are challenging, with high unemployment and weak GDP, in conjunction with the impact from the Spanish government's austerity measures to address budgetary issues and its participation in Euro currency membership. The Group's Spanish division has been affected by the deterioration of the Spanish macro-economic environment, with high unemployment and weak GDP.

Increases in energy and/or fuel costs could have a material adverse effect on the Group's business, financial condition and results of operations

All of the Group's businesses incur energy and/or fuel costs, and in particular the Group is exposed to commodity price risk as a result of fuel usage. Fuel costs constitute a significant portion of the Group's costs. Fuel costs amounted to 8 per cent. of the Group's total continuing revenue in the 2011 financial year, the same

percentage as in the 2010 financial year. The price of crude oil (and therefore the refined petroleum products used in the Group's operations) was particularly volatile throughout the 2011 financial year, and remains so during the 2012 financial year, ranging from just over US\$90 per barrel to just over US\$125 per barrel *Source: Reuters*. Fuel prices and supply levels can be influenced significantly by international, political and economic circumstances. If fuel supply shortages were to arise because of national strikes, world supply difficulties or disruption of refining capacity or oil imports, this could result in higher fuel prices and disruption to services. The Group seeks to mitigate the risks of increases in fuel costs by entering into fuel swaps and purchase contracts. As at 30 June 2012, the Group had hedged approximately 100 per cent. of its fuel usage for the 2012 financial year, 83 per cent. of its expected fuel usage for the 2013 financial year and 43 per cent. of its expected fuel usage for the 2014 financial year. There can be no assurance that increases in energy costs, including increases in fuel costs, will not have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's businesses are exposed to competitive pressures from other modes of transport and other operators in the same modes of transport

The Group's businesses are exposed to competitive pressures, including in the areas of pricing and service, from modes of transport other than buses, coaches and rail and from other operators in the same modes of transport.

In the Group's UK bus division ("UK Bus") and UK Coach business, the Group's main competitor is the car. The cost of driving a car is generally perceived as being lower than travelling by bus or coach, especially if there is more than one person in the car. In addition, the Group's UK Bus business increasingly competes with other operators, where deregulation of the industry has made it possible for any company to begin operating a commercial service (except for local bus services within London), after giving notice to and receiving the necessary operating licence from the Traffic Commissioners appointed by the Secretary of State for Transport. The Group's UK Coach business also competes with rival coach operators, as well as services provided by other train operators and, to a lesser extent, budget airlines.

The Group's UK Rail business competes at both the bid and operating stages of the business. The Group competes at the bid stage with other train operators. The main competitors to the Group's UK Rail business at the operating stage are the car, other train operators, open-access operators and, to a lesser extent, budget airlines and other coach operators.

In North America, the Group's student transportation business competes with several large, national companies as well as a substantial number of smaller, locally owned operators. The Group's competitors in the student transportation business can also include school districts (which are governmental bodies), as many school districts also operate their own school buses.

In Spain, the Group's long distance coach business competes primarily with high-speed train operators and budget airlines. The Group's patronage in Spain also faces competition from national and international competitors in the market.

There can be no assurance that competitive pressures may not in the future have a material adverse effect on the Group's business, financial condition and results of operations.

The success of the Group's business is dependent upon its relationships with government authorities and key external stakeholders

The Group's relationships with government authorities regulating public transportation operators in the jurisdictions in which it operates and with key external stakeholders are significant factors contributing to the success of the Group's business.

The Group engages fully with its regulators and key stakeholders with regard to issues of shared concern, such as the regulation of transport services, supply arrangements, environmental issues and safety and punctuality initiatives. If the Group fails to maintain such relationships or if such relationships were adversely affected for any reason, any action or inaction on the part of the Group, negative publicity concerning the Group or the public transportation industry or the development of mutually exclusive interests between the Group and the other party, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's UK Rail business is dependent upon access to rail infrastructure

The Group's UK Rail business is dependent upon access to rail infrastructure provided by third parties and is therefore outside the control of the Group. Should there be significant engineering works or other issues with infrastructure availability, there is a risk that certain of the Group's rail services could be reduced or suspended. Such a reduction or suspension of services would result in a reduction in the Group's revenue, for which it may not be fully compensated. In addition, there could be a negative effect on passenger confidence in respect of the services affected or in rail travel generally which would have a negative effect on revenue. Any decrease in revenue and/or passenger confidence could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's ability to adjust fares in its UK Rail business is related to RPI and is therefore limited

A proportion of rail fares are regulated by the UK government. Fares are allocated to a fares basket and the current regulations restrict fare increases within that basket to an average of the retail price index ("RPI") + 1 per cent. (although individual fares may rise by up to RPI + 6 per cent. provided the average fare within the basket is maintained at RPI + 1 per cent.). As at January 2013, proposed changes to the scope of fare increases will take effect. Fares in the allocated fares basket will be subsequently permitted to increase by RPI + 3 per cent. (although individual fares may rise by up to RPI + 8 per cent, for the one year period commencing in January 2013, provided the average fare within the basket is maintained at RPI + 3 per cent.). While train operators are free to set the level of their unregulated fares, these fares will usually have a close price relationship with regulated fare levels in order to avoid pricing anomalies. Consequently, the Group has limited flexibility to adjust its rail fares independently of movements in the RPI. As a result of this, the Group's revenues from its rail operations could be significantly reduced either by an increase in the cost of the Group's rail operations that is not accompanied by a corresponding increase in the RPI, or by contrast a fall in the RPI as a result of deflationary pressures in the wider economy which is not accompanied by a corresponding decrease in the costs of the Group's rail operations. Any such reduction in revenue from the Group's rail operations could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be adversely affected by political and regulatory changes

The Group's businesses are subject to numerous laws in the jurisdictions in which they operate regulating safety procedures, equipment specifications, employment requirements, environmental procedures, insurance coverage and other operating issues. These laws are constantly subject to change. There is a risk that the transport industry will become more regulated in the jurisdictions in which the Group operates. In addition, local authorities with whom the Group contracts could specify levels of quality and service with which the Group must comply. The costs associated with complying with changes in interpretations of existing, or the adoption of new, legislation, regulations or other laws in the jurisdictions in which the Group operates and of meeting specific levels of quality and service under contractual obligations could have a material adverse effect on the Group's business, financial condition and results of operations.

A number of passenger transport franchises operated by the Group, particularly in the context of its UK Rail business, are based on economic models established by government authorities. Changes in government policy in relation to these underlying economic models may adversely affect the financial viability of the Group's participation in future franchises, and this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be adversely affected by environmental requirements and liabilities

The Group is subject to extensive and constantly evolving national and local environmental laws and regulations in the jurisdictions in which it operates, including laws and regulations governing air emissions, wastewater discharges, the storage, handling and transportation of chemicals and hazardous substances and the remediation of contaminated soil and groundwater. The Group is also subject to environmental agency legislation in the jurisdictions in which it operates and certain contractual requirements relating to the environment and may incur liabilities arising from historical environmental contamination at properties it owns or has owned. Additional expenditures may be incurred by the Group in order to comply with either new environmental legislation and regulations, new interpretations of existing laws and regulations or more rigorous enforcement of such laws and regulations, as well as in connection with fulfilling contractual and historical environmental contamination obligations at Group sites. There can be no assurance that any such expenditures will not have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, whereas public transport is currently perceived as an environmentally friendly alternative to individual personal transportation, should this perception change, there can be no assurance that this will not have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to the risk of operational and other safety incidents

The Group, like all public transportation operators, is exposed to the risk of operational incidents. Any operational or other safety incident involving loss of life or significant damage to property or assets or harm to any person relating to the Group's services could result in a substantial loss in public confidence in the Group. In addition, any operational or other safety incident involving loss of life or significant damage to property or assets or harm to any person relating to the services of any other public transportation operator, especially a train operator, could result in a loss in public confidence in the Group, to the extent that the Group is perceived as conducting a similar business operation. Any such loss in public confidence in the Group could have a material adverse effect on the Group's business, financial condition and results of operations, as well as negatively impacting the ability of the Group to win and retain contracts or franchises.

Any operational or other safety incident involving loss of life or significant damage to property or assets or harm to any person exposes the Group to financial risk, including personal injury and other liability claims or criminal proceedings as well as the possibility that its operations may be suspended or terminated, and accordingly, any such incident could have a material adverse effect on the Group's business, financial condition and results of operations.

Certain operational incidents are outside the Group's control, such as incidents involving the suspension of services caused by adverse weather conditions. Such incidents could affect the Group's profitability and also result in a loss in public confidence in the Group and could consequently have a material adverse effect on the Group's business, financial condition and results of operations.

Actual or attempted terrorist activities in the United Kingdom, North America, Spain or elsewhere in the world and other acts of violence may adversely affect the Group

The increasing number of actual or attempted terrorist activities and other acts of violence within and outside the United Kingdom, North America, Spain and elsewhere in the world has adversely affected, and is expected to continue to adversely affect, the general economic activities of the Group's passengers. In particular, terrorist acts and the public's concerns about potential attacks could adversely affect demand for the Group's services. There have been multiple acts of terrorism on public transport systems and other terrorist attacks that whilst not directly targeting public transport have discouraged travel. For example, following the terrorist attacks in London in July 2005, demand for discretionary travel in and out of London was badly affected and the Group made a *force majeure* claim under one of its rail franchise agreements. In addition, if the Group was to be perceived as not taking all reasonable precautions to guard against potential terrorist acts and other acts of violence, this could negatively impact the Group's reputation with passengers, thereby reducing demand for the Group's services. Any fall in demand for the Group's services could have a material adverse effect on the Group's business, financial condition and results of operations.

As a result of actual or attempted terrorist activities or other acts of violence, governmental authorities may mandate security procedures in addition to those currently employed by the Group, thereby increasing the Group's costs, which could have a material adverse effect on the Group's business, financial condition and results of operations.

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

Risks related to the structure of a particular issue of Notes

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such 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, the spread on the Fixed/Floating Rate Notes may be less favourable than 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, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount

The market values of securities issued at a substantial discount to their nominal 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.

The Notes may be redeemed by the Issuer prior to maturity

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

Inverse Floating Rate Notes

Notes that are specified as having an inverse floating rate have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate ("LIBOR"). The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Risks related to Notes generally

Modification and waivers and substitution

The Conditions 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 also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification to the Conditions or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes, (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such, and (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 16 (*Meetings of Noteholders; Modification and Waiver*).

EU Savings Directive

Under Council Directive 2003/48/EC (the "**Directive**") on the taxation of savings income Member States are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to or for an individual resident or certain limited types of entity established in that other Member State. Similar income for this purpose includes payments on redemption of the Notes representing any discount on the issue of the Notes or any premium payable on redemption. However, Austria and Luxembourg may instead impose a withholding tax system in relation to such payments for a transitional period unless during such period they elect otherwise. The transitional period will end after agreement on exchange of information is reached between the European Union and certain non-European Union states. A number of third countries and territories have adopted equivalent measures.

The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000. However, if a payment to or for an individual were to be made or collected through a Member State which has opted for a withholding tax system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Directive or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law of the EU or a non-Member State implementing or complying with, or introduced in order to conform to, such Directive, investors should note that none of the Issuer, the Guarantor nor any Paying Agent (as defined in

the Conditions) 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 European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Change of Tax Law

Statements in this Base Prospectus concerning the taxation of investors are of a general nature and are based upon current tax law and published practice in the jurisdictions stated. Such law and practice is subject to change, possibly with retrospective effect, and this could adversely affect investors.

In addition, any change in the Issuer's tax status or in taxation legislation or in practice in a relevant jurisdiction could adversely impact (i) the ability of the Issuer to service the Notes and (ii) the market value of the Notes.

Change of law

The Conditions are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

If Definitive Notes are issued, such Notes may be illiquid and difficult to trade

In relation to any issue of 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 the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations (as defined in the Conditions). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If Definitive Notes are issued, Noteholders should be aware that Definitive 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

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be 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 Notes.

Exchange rate risks and exchange controls

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 the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

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

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The 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 credit rating agency 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 credit rating agency 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 disclosed on the front cover of this Base Prospectus and if a Tranche of Notes is rated such rating will be disclosed in the relevant Final Terms.

USE OF PROCEEDS

The net proceeds from each issue of Notes may be applied by the Issuer for its general funding purposes.

DOCUMENTS INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (1) the audited consolidated financial statements (comprising the auditors report thereon and notes set out at the following pages of the Group's 'Annual Report and Accounts 2011' and 'Annual Report and Accounts 2010' thereto) of the Group in respect of the financial years ended 31 December 2010 and 31 December 2011:

| | <u>2011</u> | <u>2010</u> |
|---|--------------|--------------|
| Consolidated Financial Statements and Notes | pages 76-136 | pages 70-133 |
| Auditor's Report | page 75 | page 69 |

- (2) the unaudited consolidated financial statements of the Group in respect of the six months ended 30 June 2012 set out at the following pages of the Group's 'Half Year Results for the six months ended 30 June 2012':

| | |
|---|-------------|
| Consolidated Financial Statements and Notes | pages 22-37 |
| Review Report | page 38 |

and

- (3) the audited non-consolidated financial statements (including the auditors report thereon and notes thereto) of the Guarantor in respect of the financial years ended 31 December 2010 and 31 December 2011.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Such documents shall be incorporated in and form part of this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of the documents incorporated by reference in this Base Prospectus may be obtained, free of charge, from the registered office of the Issuer at National Express House, Birmingham Coach Station, Mill Lane, Digbeth B5 6DD, United Kingdom.

FINAL TERMS, DRAWDOWN PROSPECTUSES AND SUPPLEMENTS

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 Guarantor and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer and the Guarantor have endeavoured to include 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 as completed by the relevant Final Terms.

Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the Guarantor and the relevant Notes. 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.

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 and whose inclusion or removal from this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and/or the Guarantor and/or and the rights attaching to the Notes, the Issuer will prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with such Notes and any subsequent issue of Notes.

FORM OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the “**Temporary Global Note**”), without interest coupons, or a permanent global note (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the 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, 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 depositary or a common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking, *société anonyme* (“**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 one of Euroclear or Clearstream, Luxembourg (or another entity approved by Euroclear and Clearstream, Luxembourg) as common safekeeper.

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “**D Rules**”) unless (a) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “**C Rules**”) or (b) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

Where the Global Notes issued in respect of any Tranche are in NGN form, the Issuer will also notify the relevant clearing system as to whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon the European Central Bank (the “**ECB**”) being satisfied that the Eurosystem eligibility criteria have been met. Furthermore, any indication that the Global Notes are not intended to be so held may be the case at the date of the relevant Final Terms. However, 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 Euroclear or Clearstream, Luxembourg (or another entity approved by Euroclear and Clearstream, Luxembourg) as common safekeeper. Similarly, this would 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.

Temporary Global Note exchangeable for Permanent Global Note

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

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

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Paying Agent; and
- (ii) receipt by the Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

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

the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”) only if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no other clearing system is available.

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 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 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 complete those terms and conditions.

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

Legend concerning United States persons

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

“ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES OF AMERICA) WHO HOLDS THIS OBLIGATION, DIRECTLY OR INDIRECTLY, 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 OF THE UNITED STATES OF AMERICA.”

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

1. Introduction

(a) Programme:

National Express Group PLC (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to £1,000,000,000 in aggregate principal amount of notes (the "**Notes**") unconditionally and irrevocably guaranteed by West Midlands Travel Limited (the "**Guarantor**").

(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 final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the 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, have the benefit of and are in all respects subject to a trust deed dated 19 November 2012 (the "**Trust Deed**") between the Issuer, the Guarantor and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below).

(d) Agency Agreement:

The Notes are the subject of an issue and paying agency agreement dated 19 November 2012 (the "**Agency Agreement**") between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and the other agents appointed by the Issuer from time to time (together with the Principal Paying Agent, the "**Paying Agents**" which expression shall include any additional or successor paying agents).

(e) Guarantee:

The Guarantor has in the Trust Deed given an unconditional and irrevocable guarantee (a "**Guarantee**") for the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes and the Coupons, subject to the provisions of Condition 4 (*Status of the Notes and Guarantee*).

(f) The 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 are available for viewing during normal business hours and copies may be obtained from the Specified Office(s) of the Paying Agent(s), the initial Specified Office of the Principal Paying Agent being set out at the end of these Conditions.

The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the relevant Final Terms.

(g) Summaries:

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the “**Noteholders**”), the holders of the related interest coupons (the “**Coupons**”), and, where applicable, talons for further coupons (the “**Talons**”) (the “**Couponholders**”) are entitled to the benefit of, 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 Office(s) of the Paying Agent(s).

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;

“**Business Day**” means:

- (a) 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
- (b) 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, means the convention specified 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:

- (a) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) “**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;
- (c) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) “**Floating Rate Convention**” means that the relevant date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment;
- (e) “**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;

a “**Change of Control**” will be deemed to have occurred if:

- (a) 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) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Issuer or any direct or indirect holding company of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006) in (i) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (ii) 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; or
- (b) 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) whose shareholders are or are to be substantially similar to the pre-existing shareholders of any direct or indirect holding company of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006) in (i) more than 50 per cent. of the issued or allotted ordinary share capital of any direct or indirect holding company of the Issuer or (ii) shares in the capital of any direct or indirect holding company of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of any such direct or indirect holding company of the Issuer;

“**Change of Control Optional Redemption Amount**” means, in respect of any Note, the amount as specified in the relevant Final Terms;

“**Change of Control Optional Redemption Date**” has the meaning stated in paragraph (c) of the definition of Change of Control Put Event Notice;

“**Change of Control Period**” means the period commencing on the date that is one business day in London prior to the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

a “**Change of Control Put Event**” will be deemed to occur if while any of the Notes remain outstanding a Change of Control has occurred and on the Relevant Announcement Date, either:

- (a) the Notes are unrated or do not have an Investment Grade rating from at least one of the Rating Agencies; or
- (b) the Notes have an Investment Grade rating from at least one of the Rating Agencies and at any time during the Change of Control Period any such Rating Agency rates the Notes as Non-Investment Grade and such rating is not within the Change of Control Period restored to an Investment Grade rating by any such Rating Agency or replaced by an Investment Grade rating of another Rating Agency, or any such Rating Agency withdraws its rating of the Notes and the rating of such Rating Agency is not within the Change of Control Period restored by such Rating Agency or replaced by an Investment Grade rating of another Rating Agency and in each case such Rating Agency announces or publicly confirms or informs the Trustee in writing that the assignment of such Non-Investment Grade rating or withdrawal of rating was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control (whether or not the Change of Control shall have occurred at the time such rating is given or rating is withdrawn);

“**Change of Control Put Event Notice**” means the notice to be given pursuant to the Change of Control Put Option by the Issuer or, as the case may be, the Trustee to the Noteholders in accordance with Condition 18 (*Notices*) stating:

- (a) that a Change of Control Put Event has occurred and that each Noteholder is entitled to require the Issuer to redeem or purchase the Notes of such holder pursuant to the Change of Control Put Option;

- (b) the circumstances and relevant facts regarding such Change of Control Put Event;
- (c) the Change of Control Optional Redemption Amount and the redemption or purchase date (which shall be the date falling seven days after the expiry of the Change of Control Period (the “**Change of Control Optional Redemption Date**”)); and
- (d) the procedures for exercising the Change of Control Put Option;

“**Change of Control 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 redeem a Note pursuant to Condition 9(f) (*Change of control redemption*);

“**Change of Control Put Period**” means the period of 45 days after a Change of Control Put Event Notice is given;

“**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/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:

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

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:

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

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:

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

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;

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

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

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

“**Exercise Notice**” means a notice in the form obtainable from the Specified Office of any Paying Agent, which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder pursuant to Condition 9(f) (*Change of control redemption*);

“**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, or determined in accordance with, the relevant Final Terms;

“**Financial Adviser**” has the meaning has the meaning stated in Condition 9(c) (*Redemption at the option of the Issuer*);

“**Financial Indebtedness**” means in respect of any Person (without double-counting):

- (a) any indebtedness for or in respect of moneys borrowed;
- (b) any acceptance credit (including any dematerialised equivalent);
- (c) the principal amount of and any premium in relation to any bond, note, debenture, loan stock or other similar instrument for the payment of which such Person is responsible;
- (d) any redeemable preference share which can be redeemed on or before the maturity date of the relevant Notes outstanding under the Programme;
- (e) any agreement treated as a finance or capital lease in accordance with generally accepted accounting principles in England;
- (f) receivables sold or discounted (otherwise than on a non-recourse basis, and for these purposes recourse does not include claims for breach of contract in respect of warranties given as to the existence, quality or status of the relevant receivables at the time of sale);
- (g) the acquisition cost of any asset to the extent payable after its acquisition or possession by the party liable where the deferred payment is arranged primarily as a method of raising finance or financing the acquisition of that asset;
- (h) any other transaction (including any forward sale or purchase agreement) which has (primarily and not incidentally) the commercial effect of a borrowing;

- (i) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution; or
- (j) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any item referred to in the above paragraphs;

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

“**Fitch**” means Fitch Ratings Ltd;

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

“**Fixed Rate Note**” means a Note specified as such in the relevant Final Terms;

“**Floating Rate Note**” means a Note specified as such in the relevant Final Terms;

“**Gross Redemption Yield**” means a yield calculated in accordance with generally accepted market practice at such time, as advised to the Trustee by the Financial Adviser;

“**Group**” means the Issuer and its Subsidiaries for the time being;

“**Guarantee**” has the meaning stated in Condition 1(e) (*Guarantee*);

“**Guarantor**” has the meaning stated in Condition 1(a) (*Programme*);

“**Indebtedness for Borrowed Money**” means any indebtedness (whether being principal, premium or interest) for or in respect of any notes, bonds, debenture stock, loan stock or other securities or any indebtedness for borrowed money or any liability under or in respect of any acceptance or acceptance credit;

“**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**” shall mean the date specified as such in the Final Terms or if none is so specified:

- (i) if the Reference Rate is the London interbank offered rate (“**LIBOR**”) (other than Sterling or Euro LIBOR), the second London business day prior to the start of each Interest Period;
- (ii) if the Reference Rate is Sterling LIBOR, the first day of each Interest Period; and
- (iii) if the Reference Rate is Euro LIBOR or the Euro-zone interbank offered rate (“**EURIBOR**”), the second day on which the TARGET2 System is open prior to the start of each Interest Period;

“**Interest Payment Date**” means the First Interest Payment Date and any 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 as the same may be adjusted in accordance with the relevant Business Day Convention;

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

“**Investment Grade**” means a credit rating of BBB– by Fitch, Baa3 by Moody’s or BBB– by S&P, or equivalent, or higher;

“**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;

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

“**Material Subsidiary**” means, at any time, any Subsidiary of the Issuer whose gross assets or pre-tax profits (excluding intra-Group items) then equal or exceed 10 per cent. of the gross assets or pre-tax profits of the Group, but excluding any Subsidiary (an “**Excluded Subsidiary**”) that is a single-purpose company whose principal assets are constituted by one or more projects or contracts, none of whose Indebtedness for Borrowed Money is the subject of security, a guarantee or indemnity from the Issuer or any Material Subsidiary, and which the Issuer has designated as such for the time-being by written notice to the Trustee.

For this purpose:

- (a) the gross assets or pre-tax profits of a Subsidiary of the Issuer (excluding intra-Group items) will be determined from its financial statements (unconsolidated if it has Subsidiaries) upon which the latest audited financial statements of the Group have been based;
- (b) if a Subsidiary of the Issuer becomes a member of the Group after the date on which the latest audited financial statements of the Group have been prepared, the gross assets or pre-tax profits (excluding intra-Group items) of that Subsidiary will be determined from its latest financial statements;
- (c) the gross assets or pre-tax profits (excluding intra-Group items) of the Group will be determined from its latest audited financial statements, adjusted (where appropriate) to reflect the gross assets or pre-tax profits (excluding intra-Group items) of any company or business subsequently acquired or disposed of; and
- (d) if a Material Subsidiary disposes of all or substantially all of its assets to another Subsidiary of the Issuer, it will immediately cease to be a Material Subsidiary and the other Subsidiary (if it is not already) will immediately become a Material Subsidiary; the subsequent financial statements of those Subsidiaries and the Group will be used to determine whether those Subsidiaries are Material Subsidiaries or not.

If there is a dispute as to whether or not a member of the Group is a Material Subsidiary, a certificate of the auditors of the Issuer will be, in the absence of manifest error, conclusive;

“**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;

“**Moody’s**” means Moody’s Investors Service Ltd.;

“**Non-Investment Grade**” means a credit rating of BB+ by Fitch, Ba1 by Moody’s or BB+ by S&P, or equivalent, or lower;

“**Non-Recourse Debt**” means any Financial Indebtedness incurred by a project company in connection with a project where the relevant project assets comprise all of the business of that project company and where the provider of the Financial Indebtedness has no recourse against any member of the Group or its assets except for recourse to:

- (a) the project assets;
- (b) the project company for the purpose of enforcing a Security Interest against it, so long as the recourse is limited to recoveries in respect of the project assets;

- (c) a member of the Group to the extent of its shareholding or other interest in the relevant project company;
- (d) a member of the Group under any form of assurance, undertaking or support, where:
 - (i) the recourse is limited to a claim for damages (not being liquidated damages or damages required to be calculated in a specified way) for breach of an obligation; and
 - (ii) the obligation is not in any way a guarantee, indemnity or other assurance against financial loss or an obligation to ensure compliance by another with a financial ratio or other test of financial condition.

For the purposes of this definition: “project” means any particular project of a member of the Group for the ownership, creation, development or exploitation of any of its assets; “project assets” means any assets used in connection with that project; and “project company” means the member of the Group which owns the project assets;

“**Optional Redemption Amount (Call)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

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

“**Optional Redemption Amount (Make Whole Call)**” has the meaning stated in Condition 9(c) (*Redemption at the option of the Issuer*);

“**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 European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

“**Paying Agents**” has the meaning stated in Condition 1(d) (*Agency Agreement*) and a “Paying Agent” means any of them;

“**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 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;

“**Permitted Security**” means:

- (a) any Security Interest existing at 19 November 2012;
- (b) any Security Interest over project assets or a project company securing Non-Recourse Debt;

- (c) any Security Interest comprising a netting or set-off arrangement entered into by a member of the Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;
- (d) any lien arising by operation of law and in the ordinary course of trading;
- (e) any Security Interest on an asset, or an asset of any person, acquired by a member of the Group after 19 November 2012 provided that the principal amount secured by that Security Interest has not been incurred or increased in contemplation of, or since, the acquisition;
- (f) Security Interests granted pursuant to the requirements of the Strategic Rail Authority and/or the Railways Act 1993 including those granted in connection with season ticket bonds;
- (g) any Security Interest arising as a result of the cash collateralisation of season ticket bonds but only up to a maximum aggregate amount of £100,000,000 or its equivalent at any time;
- (h) Security Interests over cash deposited by members of the Group with the issuing bank to cash collateralise the counter-indemnity obligations of members of the Group in respect of performance or other similar bonds issued by banks on behalf of members of the Group;
- (i) any Security Interest over goods and products or over the documents of title or insurance policies relating to such goods and products, arising in the ordinary course of trading in connection with letters of credit and similar transactions, provided such Security Interest secures only so much of the acquisition cost or selling price (and amounts incidental thereto) of these goods and products which is required to be paid within six months after the date upon which the same was first incurred;
- (j) set-off rights on market standard terms contained in any hedging agreement;
- (k) set-off rights in the ordinary course of trading;
- (l) any Security Interest created in substitution for any of the above Security Interests but only:
 - (i) if the Security Interest is over the same asset;
 - (ii) if the principal amount secured does not exceed the principal amount secured by the Security Interest which it replaced; and
 - (iii) if the Security Interest which is replaced was only permitted to be outstanding for a certain period of time, to the extent the new Security Interest is not outstanding beyond a date which is after the date until which the original Security Interest was permitted to subsist; and
- (m) any Security Interest securing Financial Indebtedness the amount of which (when aggregated with the amount of any other Financial Indebtedness which has the benefit of a Security Interest not allowed under the preceding subparagraphs) does not exceed £25,000,000 or its equivalent at any time;

“**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;

“**Put Option Notice**” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder pursuant to Condition 9(e) (*Redemption at the option of Noteholders*);

“**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 redeem a Note at the option of the Noteholder;

“**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;

“**Rating Agency**” means each of Fitch, Moody’s and S&P or any of their respective successors or any Substitute Rating Agency;

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

“**Reference Banks**” means in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank, in each case, as selected by the Calculation Agent;

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

“**Reference Rate**” shall mean LIBOR or EURIBOR in each case for the relevant period, as specified in the relevant Final Terms;

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

“**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 Announcement Date**” means the date that is the earlier of (a) the date of the first public announcement of the relevant Change of Control and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any);

“**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 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**” shall mean London, in the case of a determination of LIBOR and Brussels, in the case of a determination of EURIBOR;

“**Relevant Period**” means:

- (a) each financial year of the Issuer; and

- (b) each period beginning on the first day of the second half of a financial year of the Issuer and ending on the last day of the first half of its next financial year;

“Relevant Potential Change of Control Announcement” means any public announcement or statement by or on behalf of the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs;

“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” shall mean in the case of LIBOR, 11.00 a.m. and in the case of EURIBOR, 11.00 a.m. in each case in the Relevant Financial Centre ;

“Reserved Matter” means any proposal:

- (a) 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 or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity;
- (b) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed (other than as permitted under Clause 7.3 of the Trust Deed);
- (c) to change the currency in which amounts due in respect of the Notes are payable;
- (d) to change the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution; or
- (e) to amend this definition;

“S&P” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies Inc.;

“Security” means a mortgage, charge, pledge, lien (other than a lien arising by operation of law), assignment, hypothecation, security interest or other charge or encumbrance entered into for the purpose of securing any obligation of any person;

“Security Interest” means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having a similar effect;

“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;

“Sterling Make Whole Call Option” has the meaning given in the relevant Final Terms;

“Sterling Make Whole Optional Redemption Date” has the meaning given in the relevant Final Terms;

“Subsidiary” means any company where the Issuer:

- (a) holds a majority of the voting rights in the company or

- (b) is a member of the company and has the right to appoint or remove a majority of its board of directors, or
- (c) is a member of the company and controls alone, pursuant to an agreement with other members, a majority of the voting rights in it,

or if the company is a Subsidiary of a company that is itself a Subsidiary of the Issuer;

“**Substitute Rating Agency**” means any international recognised securities rating agency or agencies substituted for a Rating Agency by the Issuer from time to time with the prior written approval of the Trustee, such approval not to be unreasonably withheld or delayed;

“**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;

“**Treaty**” means the Treaty establishing the European Communities, 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 11 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (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 Agency Agreement or the Trust Deed shall be construed as a reference to the Agency Agreement or the Trust Deed, as the case may be, as amended, supplemented and/or restated from time to time up to and including the Issue Date of the Notes.

3. Form, Denomination and Title

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination.

Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Title to the Notes, Coupons and Talons will pass by delivery. The holder of any Note, Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

4. Status of the Notes and Guarantee

(a) Status of the Notes:

The Notes and Coupons constitute direct, unconditional and (subject to the provisions of Condition 5 (*Negative Pledge*)) unsecured obligations of the Issuer which will rank *pari passu* among themselves and (subject as aforesaid) at least *pari passu* with all other present and future unsecured and unsubordinated 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) Status of the Guarantee:

The payment obligations of the Guarantor constitute direct, unconditional and (subject to the provisions of Condition 5 (*Negative Pledge*)) unsecured obligations of the Guarantor and (subject as provided above) will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(c) Release of a Guarantor:

The Issuer may by written notice to the Trustee signed by two Directors of the Issuer request that a Guarantor cease to be a guarantor in respect of any Tranche of Notes if a Guarantor is no longer providing a guarantee in respect of any Indebtedness for Borrowed Money of the Issuer. Upon the Trustee's receipt of such notice (receipt of such notice to be confirmed to the Issuer by the Trustee as soon as possible), a Guarantor shall irrevocably be released and relieved of any obligation under the Guarantee of these Notes. Such notice must also contain the following certifications:

- (i) no Event of Default is continuing or will result from the release of a Guarantor;
- (ii) no sums advanced pursuant to any Indebtedness for Borrowed Money in respect of which a Guarantor is or was providing a guarantee is at that time due and payable but unpaid; and
- (iii) a Guarantor is not (or will cease to be simultaneously with such release) providing a guarantee in respect of any other Indebtedness for Borrowed Money of the Issuer.

If a Guarantor provides a Guarantee in respect of any other Indebtedness for Borrowed Money of the Issuer at any time subsequent to the date on which it is released from the Guarantee of these Notes as described above, such Guarantor will be required to provide a guarantee as described in paragraph (d) below.

(d) Additional Guarantors:

If at any time after the Issue Date, any subsidiary of the Issuer, direct or indirect holding company of the Issuer (a "**Holdco**") or any subsidiary of a Holdco (each, a "**Guarantee Entity**") provides or at the time it becomes a subsidiary is providing a guarantee in respect of any Indebtedness for Borrowed Money of the Issuer, the Issuer has covenanted in the Trust Deed that it shall procure that such Guarantee Entity shall at or prior to the date of the giving of such guarantee or at the time it so becomes a Guarantee Entity and is providing such a guarantee execute and deliver a supplemental trust deed to the Trustee, such supplemental trust deed to be in a form and with substance reasonably satisfactory to the Trustee, and accompanied by such opinion(s) as the Trustee shall require pursuant to which such Guarantee Entity shall guarantee the obligations of the Issuer in respect of the outstanding Notes, the Coupons and the Trust Deed on terms *mutatis mutandis* as the Guarantee including, but not limited to,

such guarantee being joint and several (if there is more than one Guarantor). Each other Guarantor (an “**Existing Guarantor**”) has in the Trust Deed confirmed that it has consented to any such entity becoming a Guarantor as aforesaid without any need for such Existing Guarantor to execute any supplemental trust deed.

(e) Change of Guarantors:

Notice of any release of a Guarantor or addition of a Guarantor pursuant to this provision will be given to the Noteholders in accordance with Condition 18 (*Notices*). Following the release of a Guarantor pursuant to Condition 4(c) (*Release of a Guarantor*) or the addition of a Guarantee Entity pursuant to Condition 4(d) (*Additional Guarantors*), the terms “**Guarantor**” and “**Guarantee**” shall be construed accordingly.

5. Negative Pledge

So long as any of the Notes or Coupons remains outstanding (as defined in the Trust Deed), each of the Issuer and the Guarantor shall not, and the Issuer shall procure that no other Material Subsidiary shall, create, assume or permit to subsist, as security for any Financial Indebtedness, any Security other than any Permitted Security upon the whole or any part of its present or future revenues or assets unless, in any such case, the Issuer and/or the Guarantor and/or the other Material Subsidiary, as the case may be, shall simultaneously with, or prior to, the creation or assumption of such Security and, in any other case, promptly, take any and all action necessary to procure that all amounts payable in respect of the Notes and Coupons by the Issuer and by the Guarantor in respect of the Guarantee of the Notes, are secured equally and rateably with the Financial Indebtedness secured by such Security to the satisfaction of the Trustee or that such other Security is provided or such other arrangement (whether or not including the giving of Security) is made as the Trustee shall, in its absolute discretion, deem not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

6. Fixed Rate Note Provisions

(a) Application:

This Condition 6 is applicable to the Notes only if the Fixed Rate Note provisions are specified in the relevant Final Terms as being applicable.

(b) Accrual of interest:

The Notes bear interest at their principal amount from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (after as well as before any 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) Fixed Coupon Amount:

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) Calculation of Interest Amount:

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the

Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. Floating Rate Note Provisions

(a) Application:

This Condition 7 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 at their principal amount from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (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:

Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (i) the offered quotation; or
- (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum), for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the relevant Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one highest quotation, one only of those quotations) and the lowest (or, if there is more than one lowest quotation, one only of those quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of the offered quotations.

If the Relevant Screen Page is not available or if, in the case of (i) above, no offered quotation appears or, in the case of (ii) above, fewer than three offered quotations appear, in each case as at the Relevant Time, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading

banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for the purpose) inform the Calculation Agent it is/they are quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin 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; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is a date specified in the relevant Final Terms.

(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. Unless otherwise stated in the relevant Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(f) Calculation of Interest Amount:

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) Calculation of other amounts:

If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(h) Publication:

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each 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.

(i) Notifications etc.:

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Trustee, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(j) Determination or Calculation by Trustee:

If the Calculation Agent fails at any time to determine a Rate of Interest or to calculate an Interest Amount, the Trustee (or a person appointed by the Trustee for the purpose) will determine such Rate of Interest and make such determination or calculation which shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee (or a person appointed by the Trustee for the purpose) shall apply all of the provisions of these Conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, it can do so and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof. Any such determination or calculation made by the Trustee shall be binding on the Issuer, the Guarantor, the Noteholders and the Couponholders.

8. Zero Coupon Note Provisions

(a) Application:

This Condition 8 is applicable to the Notes only if the Zero Coupon Note provisions are specified in the 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 or, as the case may be, the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. Redemption and Purchase

(a) *Scheduled redemption:*

Unless previously redeemed, or purchased and cancelled in accordance with Condition 9(j) (*Cancellation*), the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments*).

(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 (if the Floating Rate Note provisions are specified in the relevant Final Terms as being not 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 in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

- (A) on the occasion of the next payment due under the Notes the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*), or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay additional amounts as provided or referred to in Condition 11 (*Taxation*), in each case as a result of any change in, or amendment to, the tax laws or regulations of a Tax Jurisdiction (as defined in Condition 11(b) (*Taxing Jurisdiction*)), or any change in the published application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective (a) on or after the date on which agreement is reached to issue the first Tranche of a Series of the Notes or (b) in the case of any Subsidiary which becomes a Guarantor after the Issue Date of a relevant Tranche of Notes, the first day after such Subsidiary becomes a Guarantor pursuant to Condition 4(d) (*Additional Guarantors*); and
- (B) such obligation cannot be avoided by the Issuer and/or the Guarantor, as the case may be, taking reasonable measures available to it or them, as the case may be,

PROVIDED, HOWEVER, THAT no such notice of redemption shall be given earlier than:

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

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (i) if the Trustee so requests, an opinion of independent legal advisers of recognised standing to the effect that the Issuer and/or the Guarantor, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment and (ii) a certificate signed by two authorised officers of the Issuer and/or the Guarantor, as the case may be, stating that the obligation referred to in (A) above cannot be avoided by the Issuer and/or the Guarantor, as the case may be, taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence

of the satisfaction of the condition precedent set out in (B) above in which event it shall be conclusive and binding on the Noteholders and Couponholders.

(c) Redemption at the option of the Issuer:

The Notes may be redeemed at the option of the Issuer:

- (i) in whole or, if so specified in the relevant Final Terms, in part if Call Option is specified in the relevant Final Terms as being applicable, 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 (or such other notice period as may be specified in the relevant Final Terms) to the Noteholders and the Trustee (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 Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (ii) if Sterling Make Whole Call Option is specified in the relevant Final Terms as being applicable, on giving not less than 30 nor more than 60 days' notice (or such other notice period as may be specified in the relevant Final Terms) to the Noteholders and the Trustee (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the Sterling Make Whole Optional Redemption Date at a redemption price per Note equal to the higher of the following (the "**Optional Redemption Amount (Make Whole Call)**"), in each case plus accrued interest (if any) to the Sterling Make Whole Optional Redemption Date):
 - (A) the nominal amount of the Note; and
 - (B) the nominal amount of the Note multiplied by the price (as reported in writing to the Issuer and the Trustee by a financial adviser (the "**Financial Adviser**") appointed by the Issuer and approved by the Trustee) expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards) at which the Gross Redemption Yield on the Notes on the Determination Date is equal to the Gross Redemption Yield at the Determination Time specified in the relevant Final Terms on the Determination Date specified in the relevant Final Terms of the Reference Stock specified in the relevant Final Terms (or, where the Financial Adviser advises the Issuer that, for reasons of illiquidity or otherwise, such Reference Stock is not appropriate for such purpose, such other government stock as such Financial Adviser may recommend) plus any applicable Margin 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*), the Notes to be redeemed shall be selected by the drawing of lots in such place and in such manner as the Trustee approves, 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. 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 Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note 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 to (but excluding) such date. In order to exercise the option contained in this Condition 9(e), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other notice period as may be specified in the relevant Final Terms), deposit with any Paying Agent such Note together with all unmatured Coupons and unexchanged Talons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which such 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) Change of control redemption:

If “Change of Control Put Option” is specified in the relevant Final Terms to be applicable and a Change of Control Put Event occurs, the holder of each Note will have the option (unless prior to the giving of the relevant Change of Control Put Event Notice the Issuer has given notice of redemption under Condition 9(b) (*Redemption for tax reasons*) or Condition 9(c) (*Redemption at the option of the Issuer*), if applicable) to require the Issuer to redeem or, at the Issuer’s option, purchase (or procure the purchase of) that Note on the Change of Control Optional Redemption Date at its Change of Control Optional Redemption Amount together with interest accrued to (but excluding) the Change of Control Optional Redemption Date (the “**Change of Control Put Option**”).

As soon as practicable upon, and in any event within 30 days after, the Issuer becoming aware that a Change of Control Put Event has occurred the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, shall, (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction) give the Change of Control Put Event Notice to the Noteholders.

To exercise the Change of Control Put Option in respect of a Note, the holder of the Note must deliver such Note to the Specified Office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the Change of Control Put Period, accompanied by a duly signed and completed Exercise Notice in which the holder may specify a bank account (in the currency of the Note) to which payment is to be made under this Condition 9(f). If the relevant Final Terms specifies that Fixed Rate Note provisions are applicable, the Note should be delivered together with all Coupons and unexchanged Talons appertaining thereto maturing after the Change of Control Optional Redemption Date, failing which Condition 10(e) (*Deductions for unmatured Coupons and unexchanged Talons*) shall apply. The Paying Agent with which such Note is so deposited shall deliver a duly completed Change of Control Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Exercise Notice in accordance with this Condition 9(f), may be withdrawn; **PROVIDED, HOWEVER, THAT** if, prior to the relevant Change of Control Optional Redemption Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Change of Control Optional Redemption Date, 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 Exercise Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Change of Control 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.

Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Exercise Notice to which payment is to be made, on the Change of Control Optional Redemption Date by transfer to that bank account and, in every other case, on or after the Change of Control Optional Redemption Date against presentation and surrender or (as the case may be) endorsement of such receipt at the Specified Office of any Paying Agent. For the purposes of the Conditions, Change of Control Put Option Receipts issued pursuant to this Condition 9(f) shall be treated as if they were Notes. The Issuer shall redeem or purchase (or procure the purchase of) the Notes in respect of which the Change of Control Put Option has been validly exercised in accordance with the provisions of this Condition 9(f) on the Change of Control Optional Redemption Date unless previously redeemed (or purchased) and cancelled.

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 Optional Redemption Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at the Change of Control Optional Redemption Amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

If the rating designations employed by any Rating Agency are changed from those which are described in paragraph (a) or (b) of the definition of "Change of Control Put Event", "Non-Investment Grade Rating" or "Investment Grade Rating", or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine, with the agreement of the Trustee, the rating designations of such Rating Agency or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of the relevant Rating Agency, and this Condition 9(f) shall be construed accordingly.

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

(g) *No other redemption:*

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 9(a) (*Scheduled redemption*) to 9(f) (*Change of control redemption*) 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, the Guarantor or any Subsidiary may at any time purchase Notes in the open market or otherwise and at any price, and in any manner **PROVIDED THAT** all unmatured Coupons and unexchanged Talons appertaining thereto are purchased therewith. Such Notes may be held, reissued, resold or, at the option of the Issuer, the Guarantor or Subsidiary, as the case may be, surrendered to the Principal Paying Agent for cancellation.

(j) *Cancellation:*

All Notes redeemed by the Issuer will be cancelled or held for cancellation and may not be reissued or resold. Notes purchased by the Issuer, the Guarantor or any Subsidiary and any unmatured Coupons and unexchanged Talons attached to or surrendered with them may, at the option of the Issuer, the Guarantor or the Subsidiary, as the case may be, be cancelled or may be held, reissued or resold.

10. Payments

(a) *Principal:*

Payments of principal shall be made only against presentation and (**PROVIDED THAT** payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

(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 only 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, without involving, in the reasonable opinion of the Issuer, adverse tax consequences to the Issuer.

(d) *Payments subject to fiscal laws:*

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons and unexchanged Talons:*

If the relevant Final Terms specifies that the Fixed Rate Note provisions are applicable and a 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 (i) 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 the Floating Rate Note provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(e) (*Redemption at the option of Noteholders*), Condition 9(f) (*Change of control redemption*), Condition 9(c) (*Redemption at the option of the Issuer*) or Condition 12 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *Payments on business days:*

If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) *Payments other than in respect of matured Coupons:*

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(i) *Partial payments:*

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(k) *Exchange of Talons:*

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 13 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

11. Taxation

(a) *Gross up:*

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the 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 a Tax Jurisdiction (as defined in Condition 11(b) (*Taxing Jurisdiction*)), 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 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 presented for payment:

- (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the

Tax Jurisdiction (as defined in Condition 11(b) (*Taxing 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 or for an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law of the EU or a non-Member State implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent (if any) in a Member State of the European Union; or
- (iv) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

(b) *Taxing Jurisdiction:*

As used herein, Tax Jurisdiction means the United Kingdom and any political subdivision and any authority therein or thereof having the power to tax, and/or any other jurisdiction (and in each case any political subdivision and any authority therein or thereof having the power to tax) in which the Issuer and/or the Guarantor is incorporated, organised, or otherwise resident for tax purposes.

12. Events of Default

If any of the following events occurs and is continuing:

(a) *Non-payment:*

the Issuer or the Guarantor fails to pay any amount of principal or interest in respect of the Notes within seven days of the due date for payment thereof; or

(b) *Breach of other obligations:*

the Issuer or the Guarantor does not perform or comply in all material respects with any one or more of their other obligations under or in respect of the Notes or the Trust Deed (other than any obligation for the payment of principal or interest in respect of the Notes) and (except in any case where, in the opinion of the Trustee, such failure is incapable of remedy in which case no continuation or notice as is hereinafter provided will be required) such failure to comply continues unremedied for 30 days (or such longer period as the Trustee may permit) after written notice thereof requiring such default to be remedied has been delivered by the Trustee to the Issuer or the Guarantor, as the case may be; or

(c) *Cross Default:*

- (i) any other present or future Indebtedness for Borrowed Money (other than Non-Recourse Debt) of the Issuer, the Guarantor or a Material Subsidiary becomes due and repayable prior to its stated maturity by reason of any actual or potential event of default or the like (however described);
- (ii) the Issuer or the Guarantor or a Material Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money (other than Non-Recourse Debt) on the due date for payment or, as the case may be, within any applicable grace period as originally provided; or
- (iii) default is made by the Issuer or the Guarantor or a Material Subsidiary in making any payment due under any present or future guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money (other than Non-Recourse Debt) of any other person on the due date for payment or, as the case may be, within any applicable grace period as originally provided;

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 12(c) have occurred equals or exceeds (without duplication) £25,000,000 or its equivalent in any other currency (as reasonably determined by the Trustee); or

(d) Security enforced:

any Security, present or future, created or assumed by the Issuer, the Guarantor or a Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person) unless such step taken to enforce such Security is discharged within 60 days of such step being taken and provided that the aggregate amount of such Security being enforced equals or exceeds (without duplication) £25,000,000 or its equivalent in any other currency; or

(e) Creditor's process:

any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Issuer, the Guarantor or a Material Subsidiary and is not discharged within 30 days; or

(f) Insolvency etc.:

- (i) the Issuer, the Guarantor or any Material Subsidiary is (or is, or could be deemed by law or a court to be) insolvent or bankrupt or is unable to pay its debts (within the meaning of Section 123(1)(e) and (2) of the Insolvency Act 1986) as they fall due, or stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts;
- (ii) an administrative receiver, receiver, administrator, manager or other similar person is appointed in respect of the Issuer, the Guarantor or any Material Subsidiary or in respect of all or substantially all of the undertaking, assets and revenues of the Issuer, the Guarantor or such Material Subsidiary (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent on terms previously approved in writing by the Trustee or by an Extraordinary Resolution); or
- (iii) the Issuer, the Guarantor or any Material Subsidiary proposes or makes a general assignment or an arrangement or composition with or for the benefit of its creditors generally or declares a moratorium in respect of any of its Indebtedness for Borrowed Money; or
- (iv) a person presents a petition for the winding up, liquidation, dissolution, administration or suspension of payments of the Issuer, the Guarantor or any Material Subsidiary and such petition is not discharged within 60 days; or

(g) Winding up etc.:

a final order is made or an effective resolution is passed for the winding up, liquidation, administration or dissolution of the Issuer, the Guarantor or any Material Subsidiary and where possible, not discharged or stayed within a period of 60 days (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring neither involving nor arising out of the insolvency of the Issuer or, as the case may be, the Guarantor or Material Subsidiary on terms previously approved in writing by the Trustee or by an Extraordinary Resolution or for a voluntary solvent winding-up of a Material Subsidiary where surplus assets are available for distribution and are distributed to the Issuer, the Guarantor and/or a Material Subsidiary); or

(h) Cessation of business etc.:

the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring neither involving nor arising out of the insolvency of the Issuer or, as the case may be, the Guarantor or Material Subsidiary on terms previously approved in writing by the Trustee or by an Extraordinary Resolution or in the case of a Material Subsidiary, where assets of that Material Subsidiary are distributed to the Issuer, the Guarantor or any Subsidiary of the Issuer which as a result of the distribution of such assets becomes a Material Subsidiary); or

(i) *Illegality:*

it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or

(j) *Analogous Events:*

any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs; or

(k) *Guarantee etc.:*

the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect (other than in accordance with Condition 4(c) (*Release of the Guarantor*)),

then the Trustee may at its discretion and shall, if so requested in writing by the holders of at least one fourth of the aggregate principal amount of the outstanding Notes, or if so directed by an Extraordinary Resolution (subject to the Trustee having been indemnified and/or secured and/or prefunded to its satisfaction, and, in the case of the happening of any of the events described in sub-paragraphs (b), (e), (h) and (j) (provided that for the purpose of this Trustee certification only, the analogous events referred to in sub-paragraph (j) relate only to the events described in sub-paragraphs (b), (e) and (h) above), only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) by written notice addressed and delivered to the Issuer, declare 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. Notice of any such declaration shall promptly be given to the Noteholders.

13. Prescription

Claims against the Issuer and/or the Guarantor for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims against the Issuer and/or the Guarantor for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

14. Replacement of Notes, Coupons and Talons

If any Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, a Paying 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 and the Guarantor may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

15. Trustee and Agents

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction and to be paid its costs and expenses in priority to the claims of Noteholders. The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (i) to enter into business transactions with the Issuer, the Guarantor and/or any of its Subsidiaries and/or any related entity thereof and to act as trustee for the holders of any other securities issued or guaranteed by or relating to the Issuer, the Guarantor or any of its Subsidiaries, (ii) 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 (iii) 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 the exercise of its powers and discretions under these Conditions and/or the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequences for

individual holders of Notes, Coupons or Talons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

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

The Principal Paying Agent and its initial Specified Office is set out below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time, with the prior written consent of the Trustee, to vary or terminate the appointment of any Paying Agent or Calculation Agent and to appoint a successor principal paying agent or calculation agent and additional or successor paying agents;

PROVIDED, HOWEVER, THAT:

- (a) the Issuer shall at all times maintain a Principal Paying Agent; and
- (b) the Issuer 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 or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

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

16. Meetings of Noteholders; Modification and Waiver

(a) Meetings of Noteholders:

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. 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, not less than 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 at least 90 per cent. of the 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 agree, without the consent of the Noteholders or Couponholders, to (i) 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 will

not be materially prejudicial to the interests of Noteholders, (ii) any modification of these Conditions and the Notes or the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error or to correct an error which, in the opinion of the Trustee, is proven, and (iii) any waiver or authorisation of any breach or proposed breach, of any of the provisions of these Conditions or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification, authorisation or waiver shall be notified to the Noteholders as soon as practicable in accordance with Condition 18 (*Notices*).

(c) Substitution:

The Trust Deed contains provisions under which any Subsidiary of the Issuer or its successor in business or the Guarantor or its successor in business may, without the consent of the Noteholders or Couponholders, assume the obligations of the Issuer (or of any previous substitute under this Condition 16(c)) as principal debtor under the Trust Deed and the Notes. If the Issuer shall determine that any Subsidiary of the Issuer or its successor in business or the Guarantor or its successor in business shall become the principal debtor (in such capacity, the “**Substituted Debtor**”), the Issuer shall give not less than 30 nor more than 45 days’ notice, in accordance with Condition 18 (*Notices*), to the Noteholders of such event and, immediately on the expiry of such notice, the Substituted Debtor shall become the principal debtor in respect of the Notes and the Coupons in place of the Issuer and the Noteholders and the Couponholders shall thereupon cease to have any rights or claims whatsoever against the Issuer in its capacity as Issuer of the Notes **PROVIDED THAT:**

- (i) the Trustee is satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution,
- (ii) the Issuer and the Guarantor (unless the Guarantor or its successor in business is the Substituted Debtor) shall have entered into an unconditional and irrevocable guarantee substantially in the form of the Guarantee in respect of the obligations of such Substituted Debtor; and
- (iii) certain conditions specified in the Trust Deed are fulfilled.

No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or (as the case may be) Couponholder except to the extent provided for in Condition 11 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

In the event of such substitution as is referred to in this Condition 16(c), references in these Conditions to the Issuer shall be read as references to the Substituted Debtor.

17. Enforcement

The Trustee may, at any time, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it thinks fit to enforce any obligation, condition or provision binding on the Issuer and/or the Guarantor under these Conditions or under the Trust Deed in respect of the Notes, but shall not be bound to do so unless:

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

No Noteholder or Couponholder shall be entitled to institute proceedings directly against the Issuer unless the Trustee, having become bound to proceed as aforesaid, fails to do so within a reasonable time and such failure is continuing.

18. Notices

(a) *Valid Notices:*

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

(b) *Other Methods:*

Notwithstanding paragraph (a) above, the Trustee may approve some other method of giving notice to the Noteholders if, in its opinion, that other method is reasonable having regard to market practice then prevailing and to the requirements of any stock exchange on which Notes are then listed and **PROVIDED THAT** notice of that other method is given to the Noteholders in the manner required by the Trustee.

(c) *Couponholders:*

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

19. 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.

20. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

21. Governing Law and Jurisdiction

(a) *Governing law:*

The Notes, the Trust Deed, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them, are governed by, and construed in accordance with, English law.

(b) *English courts:*

The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Notes, the Trust Deed, Coupons or Talons (including a dispute relating to the

existence, validity or cancellation of the Notes or any non-contractual obligation arising out of or in connection with the Notes, the Trust Deed, Coupons or Talons) or the consequences of their nullity.

(c) *Appropriate forum:*

Each of the Issuer and the Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.

FORM OF FINAL TERMS

Final Terms dated [●]

National Express Group PLC
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the £1,000,000,000
Euro Medium Term Note Programme
unconditionally and irrevocably guaranteed by
West Midlands Travel Limited

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 19 November 2012 [and the supplement to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of Directive 2003/71/EC (as amended, 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. These Final Terms contain the final terms of the Notes and must be read in conjunction with such Base Prospectus [as so supplemented].

Full information on the Issuer, the Guarantor and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement to the Base Prospectus] [is][are] available for viewing [at [●]] [and] during normal business hours at [●][and copies may be obtained from [●]].

1. (i) Issuer: National Express Group PLC
- (ii) Guarantor: West Midlands Travel Limited
2. [(i) Series Number: [●]]
- [(ii) Tranche Number: [●]]
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 [●]]
6. (i) Specified Denominations: [●]
- (ii) Calculation Amount: [●]
- (iii) Issue Date: [●]
- (iv) Interest Commencement Date: [[●]/Issue Date/Not Applicable]
7. Maturity Date: [[●]/Interest Payment Date falling on or nearest to [●]]

8. Interest Basis: [[●] per cent. Fixed Rate]
[[●] +/- [●] per cent. Floating Rate]
[Zero Coupon]
9. Redemption/Payment Basis: [At par][Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on their Maturity Date at [●] per cent. of their principal amount]
10. Change of Interest Basis: [[●]/Not Applicable]
11. Put/Call Options: [Investor Put]
[Issuer Call]
[Issuer Sterling Make Whole Call]
[Change of Control Put]
13. [[Date [Board] approval for issuance of [●] [and [●], respectively]]
Notes obtained:

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [●] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [●] in each year
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [Actual/Actual (ICMA)]
[Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30/360]
[30E/360 / Eurobond Basis]
[30E/360 (ISDA)]
- (vi) Determination Dates: [●] in each year
15. Floating Rate Note Provisions: [Applicable/Not Applicable]
- (i) Interest Period(s): [●]
- (ii) Interest Payment Dates: [[●] in each year , subject to adjustment in accordance with the Business Day Convention set out in (iv) below]

- (iii) First Interest Payment Date: [●]
 - (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
 - (v) Additional Business Centre(s): [●]
 - (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 Interest Amount(s) (if not the Principal Paying Agent): [●]
 - (viii) Screen Rate Determination: [●]
 - Reference Rate: [●]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
 - (ix) ISDA Determination:
 - Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
 - (x) Margin(s): [+/-][●] per cent. per annum]
 - (xi) Minimum Rate of Interest: [●] per cent. per annum
 - (xii) Maximum Rate of Interest: [●] per cent. per annum
 - (xiii) Day Count Fraction: [Actual/Actual (ICMA)]
[Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30/360]
[30E/360 / Eurobond Basis]
[30E/360 (ISDA)]
16. Zero Coupon Note Provisions: [Applicable/Not Applicable]
- (i) Accrual Yield: [●] per cent. per annum

- (ii) Reference Price: [●]
- (iii) Day Count Fraction in relation to [Actual/Actual (ICMA)]
Early Redemption: [Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30/360]
[30E/360 / Eurobond Basis]
[30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

17. Call Option: [Applicable/Not Applicable]

- (i) Optional Redemption Date(s) [●]
(Call):
- (ii) Optional Redemption Amount(s) [●] per Calculation Amount
(Call) of each Note:
- (iii) If redeemable in part:
 - (a) Minimum Redemption [●] per Calculation Amount
Amount:
 - (b) Maximum Redemption [●] per Calculation Amount
Amount:
- (iv) Notice period (if other than as [●]
set out in the Conditions):

18. Sterling Make Whole Call Option: [Applicable/Not Applicable]

- (i) Sterling Make Whole Optional [●]
Redemption Date:
- (ii) Determination Date: [●]
- (iii) Determination Time: [●]
- (iv) Margin: [●]
- (v) Reference Stock: [●]
- (vi) Notice Period (if other than as set [●]
out in the Conditions)

19. Put Option: [Applicable/Not Applicable]

- (i) Optional Redemption Date(s) [●]
(Put):

- (ii) Optional Redemption Amount(s) per Calculation Amount (Put):
- (iii) Notice period (if other than as set out in the Conditions):
20. Change of Control Put Option: [Applicable/Not Applicable]
- (i) Change of Control Optional Redemption Amount: [[] per Calculation Amount]
21. Final Redemption Amount of each Note: [] per Calculation Amount
22. Early Termination Amount:
- Early Redemption Amount (Tax) and Early Termination Amount per Calculation Amount payable on redemption for taxation reasons or, as the case may be, on event of default same (if different from that set out in the Conditions): [[[Par] per Calculation Amount]/[As per Condition 9(h) (*Early Redemption of Zero Coupon Notes*)]]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.]
24. New Global Note Form: [Applicable/Not Applicable]
25. Additional Financial Centre(s) [Not Applicable/
26. Talons for future Coupons to be attached to Definitive Notes: [Yes]/[No]

Signed on behalf of the National Express Group PLC:
By:

Duly authorised

Signed on behalf of West Midlands Travel Limited
By:

Duly authorised

PART B—OTHER INFORMATION

1. LISTING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on London Stock Exchange’s regulated market with effect from [●].]
[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on London Stock Exchange’s regulated market with effect from [●].]/[Not Applicable]
- (ii) Estimate of total expenses related [●]
to admission to trading:

2. RATINGS

- Ratings: [[The Notes to be issued [are not/have been/are expected to be] rated]]:
- [Moody’s: [●]]
- [Fitch: [●]]

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

[“Save as discussed in [“Subscription and Sale”] in the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

4. [Fixed Rate Notes Only—YIELD

[[●]

Calculated as [●] on the Issue Date. Yield is not an indication of future price.]

5. OPERATIONAL INFORMATION

ISIN Code: [●]

Common Code: [●]

Any clearing system(s) other than Euroclear [Not Applicable/[●]]
Bank SA/NV and Clearstream Banking,
société anonyme and the relevant
identification number(s):

Names and addresses of additional paying [●]
agent(s) (if any):

6. DISTRIBUTION

US Selling Restrictions (Categories of potential investors to which the Notes are offered):

[Reg. S Compliance Category [2]; [TEFRA C/TEFRA D/TEFRA not applicable]]

7. **THIRD PARTY INFORMATION**

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

Clearing System Accountholders

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

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

Exchange of Temporary Global Notes

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

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

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

Conditions applicable to Global Notes

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

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global 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 an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of “Payment Business Day” set out in Condition 2 (*Interpretation*).

Exercise of put option: In order to exercise the option contained in Condition 9(e) (*Redemption at the option of Noteholders*) or Condition 9(f) (*Change of control redemption*), the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Paying Agent 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.

Exercise of call option: In order to exercise the options contained in Condition 9(c) (*Redemption at the option of the Issuer*) while such Notes are represented by a Permanent Global Note, the Issuer shall give notice to the

Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of such Issuer is exercised in relation to some only of the Notes, the Permanent Global 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 Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 18 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 18 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the main market of the London Stock Exchange the notice requirements of the UK Listing Authority and the London Stock Exchange shall be complied with.

DESCRIPTION OF THE ISSUER

Introduction

The Issuer was incorporated and registered in England and Wales on 11 March 1991 with registration number 2590560 under the Companies Act 1985 as a private limited company with the name of Offer letter Limited. On 4 November 1991, the Issuer changed its name to National Express Limited. On 20 October 1992, the Issuer re-registered as a public limited company and changed its name to its current name of National Express Group PLC. In December 1992, the Issuer's ordinary shares were listed on the London Stock Exchange and admitted to trading on the Official List. The Issuer operates under the commercial name of National Express. The Issuer's registered office and principal place of business is at National Express House, Birmingham Coach Station, Mill Lane, Digbeth B5 6DD and its telephone number is +44 (0)845 0130130.

Business

The Issuer and its subsidiaries (the "**Group**" or "**National Express Group**") are a leading international public transportation group, operating bus, coach and rail services in the UK, bus and coach operations in Spain and school bus and transit services in North America.

The National Express Group employs approximately 40,000 employees and operates over 21,000 vehicles on three continents. More than seven hundred million passenger journeys per year are made on National Express Group's bus, train, light rail and express coach operations.

The National Express Group's core operations today are comprised of its UK division (comprising the Group's UK Bus, Coach and Rail businesses), its North American division (comprising school bus and transit businesses) and its Spanish bus and coach division.

UK Bus

The National Express Group's UK Bus business operates over 1,650 buses, carrying approximately 270 million passengers a year, and employs approximately 5,300 people in the West Midlands and Dundee. The Group also operates the Midland Metro, the West Midlands' light rail service. The operations of the UK Bus business comprise the following:

- **National Express West Midlands** is the largest bus operator in the West Midlands and one of the UK's largest urban bus networks outside London. It serves the major cities and towns in the west midlands region including Walsall, Wolverhampton, Birmingham, Solihull, West Bromwich, Dudley and Coventry. Travel West Midlands employs around 4,800 people, including 3,500 drivers, and carries just less than three quarters of a million passengers per day on a modern fleet of approximately 1,500 vehicles across nearly 300 routes.
- **Dundee** operates a comprehensive network of high frequency local bus services within the city of Dundee and in the surrounding area, and owns a fleet of around 110 buses and coaches.
- **Midlands Metro** is a light-rail link that runs seven days a week between Wolverhampton and Birmingham city centres and offers integrated ticketing service with National Express's bus operations in the West Midlands. The business employs around 150 people, of whom around 50 are tram drivers.

In the 2011 financial year, the UK Bus business generated £263.5 million of revenue (11.8 per cent. of the Group's total revenue) and £32.7 million of normalised operating profit (14.5 per cent. of the Group's normalised operating profit). In the same year, like-for-like passenger volume in the division decreased approximately 7 per cent. from the 2010 financial year; overall like-for-like revenue from the Group's National Express Coach operations increased approximately 4 per cent. from the 2010 financial year.

UK Coach

National Express is the largest scheduled coach service provider in Europe. The National Express Group operates the UK's only scheduled national coach network and serves more than 1,000 destinations on its core domestic network, providing approximately 22 million passenger journeys each year, and employs approximately 1,500 people. The UK Coach business provides transport services to major venues across the UK, and for major events such as concerts and sporting fixtures. The UK Coach business comprises four component parts:

- *National Express Coach* operates a network of scheduled coach services to over 1,000 destinations in the UK (including all major airports).
- *Eurolines UK* is part of a group of independent coach companies (including the ALSA Group S.L.U. ("ALSA") in Spain), who between them operate Europe's largest regular coach network. This network connects over 500 destinations, covering Europe and parts of North Africa.
- *Airlinks* operates, in addition to the routes between UK cities and major UK airports operated by National Express Coach, dedicated 'on-airport' coach and bus services based at Heathrow and Gatwick. Airlinks services include a Hotel Hoppa service, linking Heathrow and Gatwick hotels to the airport terminals. Airlinks also provides other dedicated airport services to BAA Limited ("BAA") and the wider airline community at these increasingly busy locations, including air-side and land-side passenger movement and the operation of car parking facilities.
- *Kings Ferry*, which was acquired by the Group in 2007, is a long established business providing commuter coach travel services in London and the south of England. With pick up points in Medway and Swale and dropping off points in London, Kings Ferry is Kent's largest commuter coach service provider, operating a total of 37 services across National Express's Kings Ferry and Travel Link brands and carrying over 1,400 passengers per day.

In the 2011 financial year, the UK Coach business generated £259.3 million of revenue (11.6 per cent. of the Group's total continuing revenue) and £34.9 million of normalised operating profit (15.5 per cent. of the Group's normalised operating profit). In the same year, like-for-like passenger volume in the division decreased approximately 2 per cent. from the 2010 financial year; overall like-for-like revenue from the Group's National Express Coach operations increased approximately 4 per cent. from the 2010 financial year.

UK Rail

National Express currently operates the Essex Thameside (branded as "c2c") franchise calling at 26 stations between London Fenchurch Street Station and South Essex. In 2011, the UK Rail division reported strong revenue growth and a significant increase in profitability. With the handover of the East Anglia franchise successfully completed in February 2012, the Group is now focusing on delivering further improvements at c2c as well as identifying new profitable opportunities. With exposure to the relatively robust economies of London and the South East, c2c saw good passenger growth throughout the year. c2c has consistently been amongst the top performers for punctuality and service in the industry and the franchise has been extended to May 2013 on a profit share basis. c2c provided approximately 36 million passenger journeys in 2011 and employs approximately 600 people.

In the 2011 financial year, the UK Rail business generated £688.3 million of continuing revenue (30.8 per cent. of the Group's total continuing revenue) and £43.4 million of continuing normalised operating profit (19.3 per cent. of the Group's continuing normalised operating profit). In the same year, like-for-like passenger volume in the division increased approximately 5 per cent. from the 2010 financial year; like-for-like revenue from the UK Rail business increased approximately 8 per cent. from the 2010 financial year; underlying like-for-like revenue from the c2c business increased approximately 10 per cent. from the 2010 financial year.

North America

The National Express Group's North American Bus division focuses mainly on student transportation, and now operates approximately 20,000 buses. The division employs approximately 25,000 people. Trading primarily under the brands Durham School Services in the United States and Stock Transportation in Canada, the North American bus division operates in 32 states in the US and four provinces in Canada, partnering with over 430 school districts across North America.

In May 2012, the Group completed the acquisition of Petermann Partners Inc., the 5th largest provider of school buses in the US, operating over 3,300 buses. In the fiscal year ended 30 June 2011, Petermann generated revenue of US\$149.9 million, normalised EBITDA of US\$29.3 million and normalised operating profit of US\$13.5 million.

The division operates on a contract basis with local school boards and contracts will typically cover the academic year, meaning that there are only limited operations during the summer months during which time a large number of the buses are not used and the drivers are not employed.

In the 2011 financial year, the North American division generated £481.0 million of revenue (21.5 per cent. of the Group's total revenue) and £47.9 million of normalised operating profit (21.3 per cent. of the Group's normalised operating profit), and overall like-for-like revenue in the North American division increased approximately 8 per cent. from the 2010 financial year.

Spain

The National Express Group is Spain's leading private operator of coach and bus services. The division provides around 190 million passenger journeys per annum and employs over 6,800 people. It also operates urban bus services in Morocco.

The division is comprised of the integrated businesses of ALSA, which was acquired by the Group in December 2005, and Continental Auto S.L.U. ("**Continental Auto**"), which was acquired by the Group in October 2007. The business also includes the operation of service stations, a fuel distribution business and provision of other transport related services in Spain.

ALSA has two major businesses: a concession-based coach transportation service, operating national, intercity services and also regional services; and urban bus services contracted to local municipal authorities. ALSA's long distance coach operations, which are awarded on a 10-15 year, exclusive basis, receive no subsidy and take revenue risk in return for flexibility over the number of services operated and a regulated maximum fare. Regional coach operations are likewise long-term concession services which may in addition be subsidized by the autonomous governments. Urban bus operations are mainly operated under programme contracts with city councils and transport consortia.

In the 2011 financial year, the Spanish division generated £551.1 million of revenue (24.6 per cent. of the Group's total revenue) and £90.1 million of normalised operating profit (40.0 per cent. of the Group's continuing normalised operating profit).

Key Strengths

The Board believes that by focusing on further improving operational management, growing organically and following its clear and sustainable shareholder value-added strategy, it will be able to navigate through some challenging economic trading conditions and build on an attractive and resilient business, delivering sustainable and profitable growth.

Ability to manage its operations effectively despite challenging trading conditions

In the current challenging trading conditions the Group has delivered a strong and resilient performance across most of its operations. New initiatives are designed to increase the numbers of passengers travelling, complementing yield management techniques in the UK Coach and UK Bus businesses, while operating costs such as operating kilometres in the Group's Spanish business can be reduced.

Whilst the Group is not immune to the challenging trading conditions affecting the transportation industry as a whole, the Board believes that the Group is managing itself in a way that will enable it to improve on its operations.

The Group has been able to maintain a leading market position in almost all of the businesses in which it operates. The UK Coach business is the UK's only scheduled national coach network with over 22 million passenger journeys per annum and approximately 1,500 employees. Its flexible cost structure utilising a subcontracting business model is a great help in today's volatile economy, and more specifically in dealing with the removal of £15 million of concession funding in November 2011.

UK Bus has a strong position in the West Midlands and has been able to sustain revenues and manage operating costs in a particularly hard-hit local economy. The Group also maintains a good working relationship with the integrated transport authority, Centro, a partnership that is working towards encouraging greater use of sustainable and affordable transport.

The Spanish division is the Spanish market leader in urban and interurban bus and coach services, with a high level of contracted mileage and organic growth opportunities in North Africa.

Building on the Business Recovery programme of 2009 to 2011, the North American division is continuing to drive down costs, improve revenue and exploit the long-term growth potential of the market, particularly in relation to outsourcing.

The UK Rail business performance has been robust, with strong recent volume growth and tight cost control supporting the high-performance of c2c's operations.

Ability to deliver a strong operational capability across the business

Despite the challenging economic conditions, the Company believes that the Group continues to deliver excellent customer service. In UK Bus, the Group is investing in the fleet, has rebalanced the fare basket and has developed more effective marketing strategies. In UK Rail, the Group has been able to develop c2c into being the best performing train operator in the UK. UK Coach is re-establishing itself as the pre-eminent leader in long distance travel with an overhaul of the core network and a focus on great customer service. In Spain, enhanced services have been rolled out, including new technology on the Supra class coaches. In North America, a return to well-managed local services and a more efficient fleet is intended to match more closely school boards' current requirements. Each business will seek to continue to deliver cost savings and productivity gains, while keeping networks optimised.

Achieving margin improvement

Over the last two years the Group has delivered significant improvement in every business. UK Bus and North America have both nearly doubled profits since 2009 and have increased operating margins over the two years. In 2011, UK Coach delivered a record profit and a 13.5 per cent. margin. UK Rail margin rose from 5.3 per cent. to 6.3 per cent. - a very strong performance in this high revenue, low capital business. The margin for the Spanish business has remained stable, at an industry leading 16.4 per cent..

The above has been achieved through a clear focus on operational performance and delivering an efficient cost base. With new management teams in North America, UK Bus and UK Coach, as well as new leadership in UK Rail, the Group has delivered cost efficiency savings, removed unprofitable mileage, secured global procurement savings and ensured that capacity has adapted to meet demand. In North America alone, US\$40 million of cost savings were delivered over two years.

Delivering organic growth

The Group has complemented margin improvement by increasing organic growth. Every division has grown revenue in 2011. Fares have been rebalanced – in UK Bus, the average passenger yield has been improved, yet the Group's West Midlands fares remain amongst the lowest for comparable conurbations, offering excellent value-for-money. UK Coach eliminated heavily discounted promotional fares in favour of every day value pricing. In its regulated business, ALSA adapted fares and services to market conditions.

Overall, the Group believes that it continues to deliver great value to its customers and is focused on driving greater volume growth with some customers switching from other high cost modes of transport, such as rail. Passenger volume growth in 2011 was in response to service improvements in both the UK Bus and Coach operations, in addition to increased investment in fleet.

A focus on driving cash generation

National Express continues to focus on cash generation through capital efficiencies and close management of working capital. This builds on the inherent cash generation qualities of the Group's transport businesses, supported by strictly targeted investment and ongoing opportunities to improve working capital. With the Group turnaround now complete, cash application has been aligned to the Group's strategic objectives – investment in organic growth, acquisitions and a sustainable dividend payout.

Competition

The Group's businesses compete in numerous geographic markets and face competition not only from other transport operators but also from other modes of transport.

In the UK, the Group's bus, coach and rail operations all face competition from the car.

The result of a deregulated UK bus market is that in some areas there also exists head to head competition between transport companies operating overlapping bus networks. Over time, mergers and acquisition have led to a situation where nearly two thirds of services in the UK are operated by five major UK-based public transport providers, namely FirstGroup plc ("**FirstGroup**"), Go-Ahead Group plc ("**Go-Ahead**"), National Express, Stagecoach ("**Stagecoach Group**") and Arriva (purchased by Deutsche Bahn AG in 2010).

National Express is the largest UK and Spanish coach operator but is subject to competition from other operators, particularly in the UK, in relation to airport and intercity routes.

Unlike the UK bus and coach industries where competition is mainly felt at operational level, most competition in relation to the UK rail industry takes place in relation to the award of franchises, when operators submit lowest subsidy or highest premium bids to operate a complete package of services on an area of the rail network.

Some operational level competition also occurs when the franchise map means routes are served by more than one operator, or where The Office of Rail Regulation ("**ORR**") has allowed an open access operator to operate a service which operates on a purely commercial basis, where train paths are available.

The Group's UK Rail business also faces competition from other train operating companies at the point at which it bids for franchises. The principal UK transport groups referred to above are very active in the UK rail sector, having been well placed to bid for rail franchises at the time of privatisation in the early 1990s. There has also been market entry in recent years by state owned European train operators from Germany, France and the Netherlands, such as Deutsche Bahn, Keolis and NedRail.

In North America, the Group's operations cover a very wide geographic area comprising around 20,000 routes under approximately 350 separate contracts. Competition is provided by a small number of larger operators plus numerous smaller, locally owned operators. The competitors can also include school districts (which are governmental bodies) themselves as many operate their own buses in-house. Although the number of competitors is large, the actual competition for any single contract is limited due to geographic restrictions, which means that an owner operator in one state will not bid for a contract in a neighbouring state as they will not have the resources to achieve this.

Strategy

The Board's strategy to generate value will see the implementation of the following steps:

1. Delivering operational excellence in the Group's existing businesses, to drive continued margin progress;
2. Securing organic growth opportunities in existing businesses; and
3. Developing new contract opportunities in targeted markets.

Delivering operational excellence in the Group's existing businesses

The Group is continuing to focus on opportunities to enhance margins and profitability in the four core bus and coach divisions. Leveraging the Group's international portfolio, scale and procurement savings will continue to bring benefits. UK Bus is targeting to further increase margin, through improved costs, depot improvements and growth. In the North American school bus business, further improvements will be delivered through improved maintenance schemes and the use of technology; GPS is already delivering better control of wage and fuel costs. Spain and UK Coach are focused on minimising the impact on 2012 margins of concession renewal and subsidy reduction respectively. Each business will continue to seek to deliver cost savings and productivity gains, while keeping networks optimised.

Securing organic growth opportunities in existing businesses

Organic growth is a key target for each business. Austerity will continue to drive value services such as bus and coach. In North America, the school bus business presents significant opportunities to maintain its recent rate of winning market share, converting outsource tenders and selective market consolidation. The school bus market of 530,000 vehicles remains little over one third outsourced and there are 4,000 participants in the market, few of whom have the resources to compete nationally.

The Spanish business will continue to explore domestic market opportunities in concession and contract bids, together with selected consolidation opportunities. Morocco remains an exciting market as other major cities look to modernise their urban bus operations, following success in Marrakesh and Agadir. UK Coach will continue to exploit the growth potential from the modal shift away from higher rail ticket pricing.

The Group is also investing in technology that will make it easier for customers to access services and so increase travel. The UK Coach business now has real time fleet location data which is being used to improve customer information and vehicle routing. UK Bus is trialling smart card technology across its fleet to improve ease of customer use.

Developing new contract opportunities in targeted markets

The Group is building strong commercial development teams to develop a small number of target markets. The Group has identified selected markets in Europe and North America representing £60 billion of annual addressable revenue. The majority of those opportunities are in the contract transport market, where the Group can utilise and further develop its contract bidding and concession management capabilities. The Group will focus on new markets in North America and deregulating markets in Continental Europe.

Subsidiaries

The Issuer acts as the holding company of the Group. The Issuer has the following significant subsidiary undertakings all of which are private limited companies. None of the subsidiaries hold ordinary shares in the Issuer (the “**Ordinary Shares**”).

| Name | Country of Incorporation | Proportion of ownership interest | Principal activity |
|--|---------------------------------|---|---|
| National Express Limited | England and Wales | 100 per cent. | Administration and marketing of express coach service in the UK |
| Eurolines (UK) Limited | England and Wales | 100 per cent. | Administration and marketing of express coach service in Europe |
| Airlinks Airport Services Limited | England and Wales | 100 per cent. | Operation of coach services |
| National Express Rail Replacement Limited | England and Wales | 100 per cent. | Operation of coach services |
| The Kings Ferry Limited | England and Wales | 100 per cent. | Operation of coach services |
| West Midlands Travel Limited | England and Wales | 100 per cent. | Operation of bus services |
| c2c Rail Limited | England and Wales | 100 per cent. | Operation of train passenger services |
| National Express Trains Limited* | England and Wales | 100 per cent. | Holding company for train operating companies |
| Tayside Public Transport Co Limited (trading as Travel Dundee) | Scotland | 100 per cent. | Operation of bus services |
| Durham School Services, L.P. | United States | 100 per cent. | Operation of school bus services |
| National Express Corporation | United States | 100 per cent. | Holding company for operating companies |
| A&E Transport Services, Inc. | United States | 100 per cent. | Operation of school bus services |
| Petermann Partners, Inc | United States | 100 per cent. | Holding company for operating companies |
| Stock Transportation Limited | Canada | 100 per cent. | Operation of school bus services |
| National Express Spanish Holdings Limited | Spain | 100 per cent. | Holding company for operating companies |
| Tury Express SA | Spain | 100 per cent. | Holding company for operating companies |
| General Tecnica Industrial SLU | Spain | 100 per cent. | Holding company for operating companies |
| Continental Auto S.L. | Spain | 100 per cent. | Holding company and bus operating company |

* Shares held by the Issuer. All other shares held through subsidiaries.

Management

The Directors and Senior Managers of the Issuer are:

| Directors and Senior Managers | Position held | Other Principal Activities |
|-------------------------------|--|---|
| John Devaney | Non-Executive Chairman | Chairman of National Air Traffic Services Ltd and Tersus Energy plc. |
| Dean Finch | Group Chief Executive | Not applicable. |
| Jez Maiden | Group Finance Director | Non-Executive Director of Yule Catto & Co plc |
| Jorge Cosmen | Non Executive Deputy Chairman | Non-Executive Director of Brunara S.I.C.A.V. SA. And Bankia S.A. |
| Tim Score | Senior Independent Non-Executive Director | Chief Financial Officer of ARM Holdings PLC. |
| Sir Andrew Foster | Non-Executive Director | Deputy Chairman of Royal Bank of Canada Europe Limited, Non-Executive Director of Prudential Health Limited and Chairman of the Commonwealth Games Council for England and of the Commission on 2020 Public Services. |
| Chris Muntwyler | Non-Executive Director | Chairman of Conlogic Ltd, the Swiss management consulting company, Non-Executive director of Panalpina World Transport (Holding) Ltd and the Austrian Post Ltd. |
| Joaquín Ayuso | Non-Executive Director | Vice Chairman of Ferrovial SA, the Spanish transport infrastructure and services group. Non-Executive Director of Bankia S.A. |
| Lee Sander | Non-Executive Director | President and Chief Executive Officer of the HAKS Group, Inc, and Chairman of the Regional Plan Association, a prominent NGO based in New York. |
| Jackie Hunt | Non-Executive Director | Chief Financial Officer of Standard Life plc and Chair of the Financial Regulation and Taxation Committee of the Association of British Insurers. |
| Michael Hampson | Company Secretary and Group Legal Director | Not Applicable |
| Javier Carbajo | Chief Executive Officer, ALSA group | Not Applicable |
| David Duke | Chief Executive Officer, North America | Not Applicable |
| Peter Coates | Managing Director, UK Bus | Not Applicable |
| Andrew Cleaves | Managing Director, UK Coach | Not Applicable |
| Andrew Chivers | Managing Director, UK Trains | Not Applicable |

John Devaney, aged 65 (Non-Executive Chairman)

John Devaney has managed businesses across Europe, the UK, Canada, USA and Japan. His previous roles include Chairman of Kelsey Hayes (part of Varsity Corporation), Eastern Group, Exel and Telent and non-executive director of HSBC Bank Plc, Ocean Group and British Steel. He was appointed to the Board on 2 April 2009. John Devaney has informed the Board that he wishes to retire from the Board in early 2013 in order to focus on his other business commitments as Chairman of Cobham plc and NATS and to spend more time pursuing his private equity interests.

Dean Finch, aged 45 (Group Chief Executive)

Dean Finch joined as Group Chief Executive in February 2010. Prior to joining National Express, Dean Finch was Group Chief Executive of Tube Lines from June 2009. Before that, he worked for over ten years in senior roles within FirstGroup plc. He was Managing Director of the rail division from 2000 to 2004 and then was

appointed to FirstGroup plc's main board as Group Commercial Director in 2004, before being made the Group Finance Director. With the completion of the acquisition of Laidlaw International, Inc., he became Chief Operating Officer in North America before returning to the UK as Group Chief Operating Officer.

Jez Maiden, aged 50 (Group Finance Director)

Jez Maiden joined the Board in November 2008. He was formerly Chief Finance Officer at Northern Foods plc. Prior to that, he was Group Finance Director of British Vita plc, Director of Finance of Britannia Building Society and Group Finance Director of Hickson International plc. He is currently a non-executive director of Yule Catto & Co plc and is a Fellow of the Chartered Institute of Management Accountants.

Jorge Cosmen, aged 43 (Non Executive Deputy Chairman)

Jorge Cosmen was appointed to the Board in December 2005 at the time of the ALSA transaction. He was appointed Deputy Chairman in October 2008. He was Corporate Manager for the ALSA Group from 1995, becoming Chairman in 1999. Between 1986 and 1995, he worked in sales, distribution and banking. He is a Business Administration graduate and has an International MBA from the Instituto de Empresa in Madrid.

Tim Score, aged 51 (Senior Independent Non-Executive Director)

Tim Score was appointed to the Board in February 2005 and acted as Interim Chairman between December 2008 and April 2009. He is Chief Financial Officer at ARM Holdings plc. Before joining ARM, he worked as Finance Director of Rebus Group Limited, which he joined in 1999. Between 1997 and 1999, he was Group Finance Director of William Baird plc, which he joined from LucasVarity plc. He is a chartered accountant.

Sir Andrew Foster, aged 67 (Non-Executive Director)

Sir Andrew Foster was appointed to the Board in August 2004. He has had an extensive career in the public sector having served as Chief Executive of the Audit Commission for England and Wales between 1992 and 2003. Before this, he was Deputy Chief Executive of the NHS and Regional CEO for Yorkshire. He is currently Deputy Chairman of the Royal Bank of Canada Europe Limited, Chairman of the Commonwealth Games Council for England and of the Commission on 2020 Public Services and he is a non-executive director of PruHealth. Sir Andrew Foster has also completed reviews of further education and athletics for the Government.

Chris Muntwyler, aged 59 (Non-Executive Director)

Chris Muntwyler was appointed to the Board on 11 May 2011. He is Chairman of the Swiss Management Consulting company Conlogic Ltd. He is also Non-Executive Director of Panalpina World Transport (Holding) Ltd. (Switzerland) and the Austrian Post Ltd. (Austria). During 27 years at Swissair, he has had various top executive positions in Switzerland, Sweden and North America. In 1999, he joined DHL Express where he served as Managing Director Switzerland, Germany and Central Europe. Between 2005 and 2008 he was CEO of DHL Express (UK) Ltd, based in London.

Joaquín Ayuso, aged 56 (Non-Executive Director)

Joaquín Ayuso was appointed to the Board on 1 June 2011. He is Vice Chairman for Ferrovial, S.A.. He has been with Ferrovial since 1981 and was appointed CEO in 2002 and held that position until October 2009. He has been a board member of several companies including Cintra, BAA, Budimex (Poland) and the 407 (Canada) among others. He is a member of the Board of the Círculo de Empresarios in Spain, and the Advisory Board of the Franklin Institute (UAH, Madrid) and has been awarded the Medal of Honour by the Madrid Institute of Civil Engineers.

Lee Sander, aged 56 (Non-Executive Director)

Elliott (Lee) Sander was appointed to the Board on 1 June 2011. He is President and Group Chief Executive for the HAKS Group. An American citizen, he was recently Executive Director and CEO for the New York Metropolitan Transportation Authority and has also served as Commissioner for the New York City Department of Transportation. Lee is Chairman of the Regional Plan Association, a prominent NGO based in New York that has played a highly influential role in gaining public policy and investments in the New York Metropolitan area over the last 80 years. He has also played a very active role on the National Surface Transportation Infrastructure Finance Commission, having been appointed by the United States Congress in 2006.

Jackie Hunt, aged 44 (Non-Executive Director)

Jackie Hunt was appointed to the Board on 13 September 2012. Jackie Hunt is a Director and Chief Financial Officer of Standard Life plc. She is also Chair of the Financial Regulation and Taxation Committee of the Association of British Insurers. Jackie joined Standard Life in January 2009. Before this, she held various senior management roles at Aviva, including Chief Financial Officer at Norwich Union. After qualifying as a Chartered Accountant with Deloitte & Touche in South Africa, Jackie then worked for PricewaterhouseCoopers and Royal & Sun Alliance before joining Aviva in 2003.

Conflict of Interest

The Directors have notified the Board of all their directorships and other interests. Jorge Cosmen has notified the Board of his potential conflict of interest due to his close links with the ALSA business and significant interests in the shares of the Issuer which are held through European Express Enterprises Limited (“EEEL”), a major shareholder of the Issuer. Jackie Hunt has notified the Board of her potential conflict of interest due to her being a director of Standard Life plc (a 2 per cent. shareholder of the Issuer). In each such case, there may be a potential conflict of interest in respect of any matters that may arise relating to the ALSA business and/or EEEL (in the case of Jorge Cosmen) or Standard Life plc (in the case of Jackie Hunt) that may require the attention or approval of the Board from time to time.

Save as disclosed above, there are no other conflicts of interest between any duties to the Company of the Directors or Senior Managers and their private interests and/or other duties.

Business Address

The business address of the Directors and Senior Managers of the Issuer is National Express House, Birmingham Coach Station, Mill Lane, Digbeth B5 6DD, United Kingdom.

Major Shareholders

The following persons are major shareholders of the issued share capital of the Issuer:

| Shareholder | Number of Ordinary Shares | Percentage of issued share capital |
|---|----------------------------------|---|
| Elliott Associates | 110,575,630 | 21.6 per cent. |
| European Express Enterprises Limited..... | 87,095,062 | 17.0 per cent. |
| Prudential PLC | 61,791,109 | 12.0 per cent. |
| Norges Bank | 15,309,775 | 2.99 per cent. |

The above table sets out the number of Ordinary Shares held by the major shareholders as at 31 October 2012. Jorge Cosmen holds interests in 88,860,685 Ordinary Shares through his connected persons, including European Express Enterprises Limited.

DESCRIPTION OF THE GUARANTOR

Overview

West Midlands Travel Limited (the “**Guarantor**” or “**WMTL**”) was established and incorporated as a private limited company in England on 8 October 1991 under the Companies Act 1985, with company registration number 2652253 under the name of West Midlands Travel Holdings Limited. On 16 December 1991, the Guarantor passed a special resolution to change its name to West Midlands Travel Limited. The registered office of the Guarantor is 51 Bordesley Green, Birmingham, B9 4BZ, United Kingdom, telephone number +44 (0)121 254 7200.

History

On 26 October 1986, the Guarantor came into existence as part of the deregulation of the bus industry in England and Wales. It was previously part of the bus operations of the West Midlands Passenger Transport Executive. In April 1995, the Issuer purchased the Guarantor, which changed its marketing name to Travel West Midlands in September 1996 and then to National Express West Midlands on 4 February 2008.

Business Activities

The Guarantor is the largest bus operator in the West Midlands region of the United Kingdom and one of the country's largest urban bus networks outside London. It serves the major cities and towns in the West Midlands region including Walsall, Wolverhampton, Birmingham, Solihull, West Bromwich, Dudley and Coventry. WMTL employs over 5,000 people, including 330 drivers, and carries three quarters of a million passengers per day on a modern fleet of approximately 1,600 vehicles across over 300 routes.

Organisational Structure

The Guarantor is a wholly-owned subsidiary of the Issuer. Please see "*Description of the Issuer- Subsidiaries*" on page 68 of this Base Prospectus for a description of the Group.

Management

The Directors of the Guarantor are as follows:

| <u>Name</u> | <u>Position held</u> |
|----------------------|----------------------|
| Simon Mathieson..... | Director |
| Peter Coates..... | Director |
| Martin Hancock..... | Director |
| Stuart Parker..... | Director |

The business address of the Directors of WMTL is National Express House, Birmingham Coach Station, Mill Lane, Digbeth B5 6DD, United Kingdom. There is no potential conflict of interest between any of the Directors' duties to the Guarantor, their private interests or other duties to third parties.

TAXATION

1. United Kingdom

The comments below are of a general nature based on current United Kingdom law and Her Majesty's Revenue and Customs ("HMRC") practice (which may not be binding on HMRC and may be subject to change, sometimes with retrospective effect) and are not intended to be exhaustive. They describe only certain aspects of the United Kingdom withholding tax treatment of payments of interest in respect of the Notes. They do not deal with any other United Kingdom tax implications of acquiring, holding or disposing of Notes or Coupons. Prospective Noteholders or Couponholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the treatment of that and other series of Notes. The following is only a general guide and should be treated with caution. Prospective holders are strongly advised to seek independent advice. 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.

Holders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes or Coupons 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 and Coupons. In particular, holders 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 or Coupons even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

The references to "interest" in the comments below on United Kingdom withholding tax mean "interest" as understood in United Kingdom tax law. The comments do not take any account of any different definitions of "interest" which may prevail under any other law or which may be created by the terms and conditions of the Notes or Coupons or any related documentation.

UK withholding on interest paid by the Issuer

Interest may be paid by the Issuer on the Notes without withholding for or on account of UK tax so long as the Notes constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 ("ITA 2007"). They will do so provided they carry a right to interest and provided they are listed and continue to be listed on a recognised stock exchange within the meaning of Section 1005 of the ITA 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the FSA and are admitted to trading on the London Stock Exchange.

In all other cases, interest paid by the Issuer on Notes will generally be paid subject to withholding on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to the availability of reliefs or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty, and except that the withholding obligation is disapplied (unless HMRC direct otherwise) in respect of a payment which the Issuer reasonably believes is an excepted payment. For these purposes a payment will be an excepted payment if, inter alia:

- (i) the person beneficially entitled to the interest is a UK resident company;
- (ii) the person beneficially entitled to the interest is a non-UK resident company carrying on a trade in the UK through a permanent establishment which is within the charge to corporation tax as regards the interest;
- (iii) the payment is made to certain categories of recipient enjoying a special tax status (including charities and certain classes of pension funds); or
- (iv) a partnership consisting of such persons is beneficially entitled to the interest.

UK withholding on interest paid by the Guarantor

Depending on the correct legal analysis of payments made by the Guarantor as a matter of UK tax law, it is possible that payments by the Guarantor would be subject to withholding on account of United Kingdom tax, subject to any claim which could be made under applicable double tax treaties and except that any withholding

would be disappplied (unless HMRC direct otherwise) in respect of a payment which the Guarantor reasonably believes is an excepted payment. For these purposes a payment will be an excepted payment if, inter alia:

- (i) the person beneficially entitled to the interest is a UK resident company;
- (ii) the person beneficially entitled to the interest is a non-UK resident company carrying on a trade in the UK through a permanent establishment which is within the charge to corporation tax as regards the interest;
- (iii) the payment is made to certain categories of recipient enjoying a special tax status (including charities and certain classes of pension funds); or
- (iv) a partnership consisting of such persons is beneficially entitled to the interest.

Even if the Notes constitute quoted Eurobonds (assuming the conditions set out above are met) this does not of itself necessarily mean that payments made by the Guarantor can be made without withholding for or on account of UK tax.

Reporting Requirements

The Paying Agent or other person through whom interest is paid to, or by whom interest is received on behalf of, an individual (whether resident in the United Kingdom or elsewhere) may be required to supply to HMRC certain information in relation to the payment and individual concerned (including the individual's name and address).

Interest for these purposes includes payments of amounts to which a person holding a "deeply discounted security" as defined in the Income Tax (Trading and Other Income) Act 2005 is entitled on the redemption of that security. However, HMRC's published practice states that in practice no information will need to be reported where such redemption amounts are paid or received on or before 5 April 2013. HMRC may communicate information to the tax authorities of other jurisdictions.

2. European Union Directive on the Taxation of Savings Income

Under Council Directive 2003/48/EC on the taxation of savings income Member States are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to or for an individual resident or certain limited types of entity established in another Member State. Similar income for this purpose includes payments on redemption of the Notes representing any discount on the issue of the Notes or any premium payable on redemption. However, Austria and Luxembourg may instead impose a withholding tax system in relation to such payments for a transitional period unless during such period they elect otherwise. The transitional period will end after agreement on exchange of information is reached between the European Union and certain non-European Union states. A number of third countries and territories have adopted equivalent measures.

The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000. However, if a payment to or for an individual were to be made or collected through a Member State which has opted for a withholding tax system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Directive or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law of the EU or a non-Member State implementing or complying with, or introduced in order to conform to, such Directive, investors should note that none of the Issuer, the Guarantor nor any Paying Agent (as defined in the Conditions) 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 European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banco Bilbao Vizcaya Argentaria, S.A., Barclays Bank PLC, BNP Paribas, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, Merrill Lynch International, Mitsubishi UFJ Securities International plc, Société Générale and The Royal Bank of Scotland plc (the “**Permanent Dealers**”). However, the Issuer has reserved the right to sell Notes directly on its own behalf to dealers that are not Permanent Dealers (together with the Permanent Dealers, the “**Dealers**” and each a “**Dealer**”). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Dealer Agreement dated 19 November 2012 (the “**Dealer Agreement**”) and made between the Issuer, the Guarantor and the Permanent Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination or 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:

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

The Notes in bearer form 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.

Notes, other than Notes with an initial maturity of one year or less will be issued in accordance with the provisions of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”), or in accordance with the provisions of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”), as specified in the Final Terms. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA C and TEFRA D Rules.

In addition, where the TEFRA C Rules are specified in the relevant Final Terms as being applicable in relation to any Tranche of Notes, Notes must be issued and delivered outside the United States and its possessions in accordance with their original issuance under the Programme. Each Dealer has represented, warranted and undertaken that it has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, any Notes within the United States or its possessions. Further, each Dealer has represented, warranted and undertaken in connection with each original issuance of Notes under the Programme, that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such prospective purchaser is within the United States or its possessions and will not otherwise involve its United States office in the offer or sale of the Notes.

In addition, in respect of Notes issued in accordance with the TEFRA D Rules, each Dealer has represented, warranted and undertaken that:

- (a) except to the extent permitted under the TEFRA D Rules, (x) it has not offered or sold, and during the restricted period will not offer or sell, directly or indirectly, any Notes to a person who is within the United States or its possessions or to a United States person, and (y) such Dealer has not delivered and will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period;
- (b) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that the Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;

- (c) if such Dealer is a United States person, it is acquiring the Notes for purposes of resale, in connection with their original issuance under the Programme and, if such Dealer retains Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(6);
- (d) with respect to each affiliate of such Dealer that acquires Notes from such Dealer for the purposes of offering or selling such Notes during the restricted period, such Dealer either (x) repeats and confirms the representations and agreements contained in sub-clauses (a), (b) and (c) above on such affiliate's behalf or (y) agrees that it will obtain from such affiliate for the benefit of the purchaser of the Notes and the Issuer the representations, warranties and undertakings contained in sub-clauses (a), (b) and (c) above; and
- (e) with respect to any person other than an affiliate of such Dealer with whom such Dealer enters into a written contract, as defined in U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D)(4), for the offer or sale during the restricted period of Notes, such Dealer will obtain from such non-affiliate for the benefit of the Issuer the representations, warranties and undertakings contained in sub-clauses (a), (b) and (c) above.

Each Note issued in accordance with the TEFRA D Rules will bear the following legend:

ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES OF AMERICA) WHO HOLDS THIS OBLIGATION, DIRECTLY OR INDIRECTLY, 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 OF THE UNITED STATES OF AMERICA.

Each Dealer has represented, warranted and undertaken 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 later of the commencement of the offering or the completion of the distribution of all Notes of the Tranche of which such Notes are part, as certified to the Paying Agent 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 Paying Agent 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, prior to the confirmation of sale, have sent to each dealer to which it sells Notes during the distribution compliance period (as defined in Regulation S) relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each Dealer has represented, warranted and agreed 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 or the Guarantor;

- (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 Guarantor; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Union which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

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

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

In this provision and in this Base Prospectus generally, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State; the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State; and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the “**Financial Instruments and Exchange Act**”). Accordingly, each Dealer has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan. As used in this paragraph, “**resident of Japan**” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

General

Each Dealer has represented, warranted and undertaken that so far as it is aware, it has complied and will comply to the best of its knowledge 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, any Drawdown 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 Guarantor 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.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, the Guarantor and/or their affiliates in the ordinary course of business.

GENERAL INFORMATION

1. Authorisation

The updating of the Programme was authorised by (i) a resolution of a board of directors of the Issuer passed on 14 December 2009 and a resolution of a committee of the board of directors of the Issuer passed on 12 November 2012, (ii) a resolution of the board of directors of the Guarantor passed on 17 December 2009 and a resolution of a committee of the board of directors of the Guarantor passed on 7 November 2012. Each of the Issuer and the Guarantor has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the Guarantee.

2. Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and International Securities Identification Number (“ISIN”) for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the relevant Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, *société anonyme*, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the relevant Final Terms.

3. Listing

Application has been made to the FSA, in its capacity as competent authority, for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange’s Regulated Market.

The listing of the Programme in respect of Notes is expected to be granted on or about 23 November 2012, although there can be no assurance that the application for listing will be accepted. Prior to official listing and admission to trading dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the Regulated Market will normally be effected for delivery on the third working day after the day of the transaction. However, unlisted Notes may be issued pursuant to the Programme.

4. Legal and Arbitration Proceedings

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this document, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or the Group.

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware) during the 12 months preceding the date of this document, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Guarantor.

5. Significant/Material Adverse Change

There has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2012 and there has been no material adverse change in the prospects of the Issuer since 31 December 2011.

There has been no significant change in the financial or trading position of the Guarantor since 31 December 2011 and there has been no material adverse change in the prospects of the Guarantor since 31 December 2011.

6. Auditors

Deloitte LLP of 2 New Street Square, London EC4A 3BZ, which is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales, audited the statutory accounts of the companies comprising the Group for the financial year ended 31 December 2011 and gave reports under section 475 of the Companies Act 2006 (the “2006 Act”) on such accounts which were not qualified and did not contain any such statement under section 498(2) or (3) of the 2006 Act.

Ernst & Young LLP of 1 More London Place, London SE1 2AF, which is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales, audited the statutory accounts of the companies comprising the Group for the financial year ended 31 December 2010 and gave reports under section 475 of the 2006 Act on such accounts which were not qualified and did not contain any such statement under section 498(2) or (3) of the 2006 Act.

7. Documents on Display

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and bank holidays excepted) at the office of the Issuer at Birmingham Coach Station, Mill Lane, Digbeth, B5 6DD United Kingdom, for 12 months from the date of this Base Prospectus:

- (a) this Base Prospectus together with any supplement to this Base Prospectus;
- (b) each set of Final Terms for Notes which are listed on the Official List and admitted to trading on the London Stock Exchange;
- (c) the Trust Deed;
- (d) the Agency Agreement;
- (e) each subscription agreement entered into on the issue of a Tranche of Notes which is listed on the Official List and admitted to trading on the main market of the London Stock Exchange;
- (f) the audited consolidated financial statements of the Group in respect of the financial years ended 31 December 2010 and 31 December 2011;
- (g) the unaudited consolidated financial statements of the Group in respect of the six months ended 30 June 2012;
- (h) the audited non-consolidated financial statements of the Guarantor in respect of the financial years ended 31 December 2010 and 31 December 2011;
- (i) the Issuer's memorandum and articles of association; and
- (j) the Guarantor's memorandum and articles of association.

8. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to security holders in respect of the Notes:

Acquisition of Petermann Partners, Inc.

On 12 September 2011, the Issuer entered into a stock purchase agreement (the "**Stock Purchase Agreement**") to acquire directly and indirectly all of the shares of Petermann Partners, Inc. for a purchase price of US\$200 million subject to certain adjustments. The Stock Purchase Agreement contained customary representations, warranties and covenants given by the sellers in favor of the Issuer. The sellers' liability for breach of any such obligations is generally limited to an escrow amount of US\$10 million for a two year period, with a US\$3 million deductible applicable to most claims. The Stock Purchase Agreement also contained a number of conditions precedent including clearance from United States regulatory authorities. In order to obtain anti-trust clearance, the Issuer agreed to divest certain Petermann Partners' assets in Texas and Washington State within thirty days of completion. The acquisition was completed on 1 May 2012 and the identified Texas and Washington State assets of Petermann Partners were divested on 24 May 2012.

REGISTERED OFFICE OF THE ISSUER

National Express Group PLC

National Express House
Birmingham Coach Station
Mill Lane
Digbeth B5 6DD
United Kingdom

REGISTERED OFFICE OF THE GUARANTOR

West Midlands Travel Limited

51 Bordesley Green
Birmingham
B9 4BZ
United Kingdom

DEALERS

**Banco Bilbao Vizcaya Argentaria,
S.A.**

108 Cannon Street
London EC4N 6EU
United Kingdom

Barclays Bank PLC

5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

BNP Paribas

10 Harewood Avenue
London NW1 6AA
United Kingdom

Commerzbank Aktiengesellschaft

Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Germany

**Crédit Agricole Corporate and
Investment Bank**

9, Quai du Président Paul Doumer
92920 Paris La Défense Cedex
France

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ
United Kingdom

**Mitsubishi UFJ Securities
International plc**

Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

Société Générale

29, boulevard Haussmann
75009 Paris
France

The Royal Bank of Scotland plc

135 Bishopsgate
London EC2M 3UR
United Kingdom

TRUSTEE

BNY Mellon Corporate Trustee Services Limited

One Canada Square
London E14 5AL
United Kingdom

PAYING AGENT

The Bank of New York Mellon

One Canada Square
London E14 5AL
United Kingdom

LEGAL ADVISERS

*To the Issuer and the Guarantor
as to English law*

Linklaters LLP

One Silk Street
London EC2Y 8HQ
United Kingdom

To the Dealers as to English law

Freshfields Bruckhaus Deringer LLP

65 Fleet Street
London EC4Y 1HS
United Kingdom

AUDITORS TO THE ISSUER

Deloitte LLP

2 New Street Square
London EC4A 3BZ
United Kingdom