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BASE PROSPECTUS



National Express Group PLC

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

guaranteed by each of

National Express Corporation

(incorporated in Delaware, United States of America)

and

West Midlands Travel Limited

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

and

Durham School Services, L.P.

(organised as a limited partnership in Delaware, United States of America)

£1,000,000,000

Euro Medium Term Note Programme

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 (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 (“**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). 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.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and each of the Guarantors to fulfil their respective obligations under the Notes are discussed under “Risk Factors” on pages 7 to 22 of this Base Prospectus.

Arranger

Barclays Capital

Dealers

Barclays Capital

Commerzbank

The Royal Bank of Scotland

21 December 2009

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IMPORTANT NOTICES

National Express Group PLC (the “**Issuer**”) accepts responsibility for all the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

NEC accepts responsibility for the information contained in this Base Prospectus, excluding the information set forth under “Description of the Issuer” on pages 70 to 80, the information set forth under “Description of West Midlands Travel Limited” on page 82, the information set forth under “Description of Durham School Services, L.P.” on pages 83 to 84, the information and statements in respect of the Issuer, WMTL and DSS under “*General Information—1. Authorisation*”, “*General Information—4. Legal and Arbitration Proceedings*” and “*General Information—5. Significant Material Change*” on page 90 (the “**NEC Base Prospectus**”), and to the best of the knowledge of NEC (having taken all reasonable care to ensure that such is the case), the information contained in the NEC Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

WMTL accepts responsibility for the information contained in this Base Prospectus, excluding the information set forth under “Description of the Issuer” on pages 70 to 80, the information set forth under “Description of National Express Corporation” on page 81, the information set forth under “Description of Durham School Services, L.P.” on pages 83 to 84, the information and statements in respect of the Issuer, NEC and DSS under “*General Information—1. Authorisation*”, “*General Information—4. Legal and Arbitration Proceedings*” and “*General Information—5. Significant Material Change*” on page 90 (the “**WMTL Base Prospectus**”), and to the best of the knowledge of WMTL (having taken all reasonable care to ensure that such is the case), the information contained in the WMTL Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

DSS accepts responsibility for the information contained in this Base Prospectus, excluding the information set forth under “Description of the Issuer” on pages 70 to 80, the information set forth under “Description of National Express Corporation” on page 81, the information set forth under “Description of West Midlands Travel Limited” on page 82, the information and statements in respect of the Issuer, NEC and WMTL under “*General Information—1. Authorisation*”, “*General Information—4. Legal and Arbitration Proceedings*” and “*General Information—5. Significant Material Change*” on page 90 (the “**DSS Base Prospectus**”), and to the best of the knowledge of DSS (having taken all reasonable care to ensure that such is the case), the information contained in the DSS Base Prospectus 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 amended and/or supplemented 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 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 information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

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

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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 each of the Guarantors since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

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, any of the Guarantors 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, any of the Guarantors 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 Guarantors and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes 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 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 Guarantors, 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 each of the Guarantors.

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 anyone 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 Economic Area, 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 pursuant to Article 109g of the Treaty establishing the European Community, as amended by the Treaty on European Union, as amended by the Treaty of Amsterdam (the "**EC Treaty**") and references to "**sterling**", "**pounds sterling**" or "**£**" are to the currency of the United Kingdom.

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)) in the applicable Final Terms 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.

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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”.

- Issuer:** National Express Group PLC (the “**Issuer**”)
- The Issuer is a leading international public transportation group, operating bus, coach and rail services in the UK, bus and coach operations in Spain and school bus services in North America.
- Guarantors:** Each of:
- (i) National Express Corporation (“**NEC**”)
National Express Corporation is the ultimate holding company for Durham School Services, L.P. and A&E Transport Services, Inc. which operate school buses across the United States of America.
 - (ii) West Midlands Travel Limited (“**WMTL**”)
West Midlands Travel Limited 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.
 - (iii) Durham School Services, L.P. (“**DSS**”)
Durham School Services, L.P. is a full service student transportation provider offering school bus services in North America. It operates in 29 states of the United States of America and serves over 300 school districts across North America.
- 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 (*Status of Notes and Guarantees*). NEC, WMTL and DSS 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 (*Status of Notes and Guarantees*).
- 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:** Barclays Bank PLC, The Royal Bank of Scotland plc and Commerzbank Aktiengesellschaft and any other Dealer appointed from time to time by the Issuer and the Guarantors either generally in respect of the Programme or in relation to a particular Tranche of Notes.
- Trustee:** BNY 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 supplemented, amended and/or replaced to the extent described in the relevant Final Terms or, as the case may be the relevant Drawdown Prospectus.

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- Listing and Trading:** 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 FSA and to trading on the Regulated Market of the London Stock Exchange.
- 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 supplement, amend or replace 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 depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a “**New Global Note**” or “**NGN**”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification of non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes 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 Receipts 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 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

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mandatory and of general application. See “*Terms and Conditions of the Notes*”.

- Status of the Guarantees:** The payment obligations of each of the Guarantors are joint and several (if there is more than one Guarantor) and constitute direct, unconditional and (subject to the provisions of Condition 5 (*Negative Pledge*)) unsecured obligations of each 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 such Guarantors, 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 and either on a fully or partly paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
- Maturities:** Any maturity 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 par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.
- Optional Redemption:** Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or 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 10(b) (*Redemption and Purchase—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 10(f) (*Redemption and Purchase—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 or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
- Denominations:** Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Notes must at all times have a minimum Specified Denomination of €50,000 (or its

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- equivalent in other currencies as at the date of issue of the relevant Notes).
- 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 13(c) (*Events of Default—Cross Default*).
- Taxation:** All payments in respect of Notes and Coupons by or on behalf of the Issuer or any Guarantor will be made free and clear of, and without withholding taxes in the United Kingdom and/or the United States, unless the withholding is required by law. In that event, the Issuer or, as the case may be, such Guarantor will (subject as provided in Condition 12 (*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 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 and the United Kingdom, see “*Subscription and Sale*” below.

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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 which, in turn, could affect its ability to fulfil its 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 Guarantors face. The Issuer and Guarantors have only described those risks in connection with the Notes and its ability to fulfil its obligations under them which it considers to be material. There may be additional risks that the Issuer currently considers not to be material or of which it is 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 and its subsidiaries (the "Group")

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

The Group is dependent on maintaining certain financial ratios in order to comply with its banking covenants in the £800,000,000 Sterling Revolving Credit Facility dated 5 June 2006 (the "**Sterling RCF**") and the €540,000,000 Multicurrency Revolving Facility Agreement dated 14 February 2008 (the "**Euro Bridge Facility**") and, together with the Sterling RCF, the "**Facilities**"). When the Group's banking covenants were last tested as at 30 June 2009 the limit on the Group's debt gearing ratio was 4.0 times the earnings before exceptional items, interest, tax, depreciation and amortisation ("**EBITDA**") although this ratio will fall to 3.5 times EBITDA when these covenants are next tested as at 31 December 2009. The Group is currently in compliance with its banking covenants and the board of directors (the "**Directors**") of the Issuer (the "**Board**") believes that the Group will continue to maintain appropriate levels of covenant headroom in the near term.

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 Facilities would in these circumstances agree to a retention 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 Facilities 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 Facilities would be permitted to exercise certain rights, including the right to cancel the Facilities, accelerate the payment of sums owing under the Facilities, enforce any security and guarantees granted by the Issuer and certain other members of the Group, and initiate insolvency or similar proceedings against Group companies which have granted such security and/or guarantees in connection with the Facilities, including the Issuer. 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.

There can be no assurance that the Group will have sufficient working capital for its requirements beyond the period to 31 December 2010

The Group has undertaken a detailed review of its working capital requirements for the period from the date of this document until the end of its financial year ending on 31 December 2010. This review has been

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undertaken in accordance with guidance provided by the Committee of European Securities Regulators (“CESR”) in its recommendation for the consistent implementation of the Prospectus Directive.

However, there can be no similar assurance that the Group will have sufficient working capital during any period following 31 December 2010. In particular, as noted in the immediately preceding risk factor above, the Group will be required to refinance its Facilities within the 6 months following the end of its financial year ending on 31 December 2010 (assuming the maturity of the Euro Bridge Facility is extended to March 2011), and there can be no assurance that the Group will be able to do so successfully.

If at any time the Group’s working capital should prove insufficient for its requirements (whether or not as a result of any failure to refinance the Group’s bank facilities), this may have a material adverse effect on the Group’s business, financial condition or the results of operations.

Following the termination of the East Coast franchise by the UK Department for Transport (“DfT”) the Secretary of State for Transport may attempt to exercise rights of cross default in relation to the National Express East Anglia and c2c franchises

Following the DfT’s termination of the Group’s East Coast UK rail (“**National Express East Coast**” or “**East Coast**”) franchise, on 16 November 2009 the DfT notified London Eastern Railway Limited and c2c Rail Limited, each being a wholly-owned subsidiary of the Issuer and the respective franchisees of the East Anglia UK rail (“**National Express East Anglia**”) franchise and the c2c UK rail (“**c2c**”) franchise, that, by virtue of the termination of the East Coast franchise, an event of default had occurred under the National Express East Anglia and c2c franchise agreements due to the cross-default provisions contained therein. The DfT reserved its position in respect of these events of default on 16 November 2009. The cross-default provisions may have allowed the DfT to terminate the relevant franchise agreement in circumstances where there had been termination as a result of default under another franchise operated by a train operating company (“**TOC**”) within the same ownership group and which the Secretary of State considered to be material. On 25 November 2009 the DfT notified London Eastern Railway Limited that the National Express East Anglia franchise agreement would terminate at the expiry of its current term on 31 March 2011 and would not be extended to 31 March 2014 (the “**DfT Notification**”). The DfT Notification was confirmed in an announcement published on the London Stock Exchange on 26 November 2009, in which the Secretary of State is reported as saying that the public interest would not be served by terminating the franchises immediately (the “**DfT Announcement**”) (for further information see “*Description of the Issuer—Recent Developments*”).

Based on advice from leading legal counsel the Issuer would have contested any attempt to terminate the National Express East Anglia and c2c franchise agreements in reliance on the cross-default provisions contained therein before the expiry of their terms, and, in light of the DfT Notification and DfT Announcement, the Issuer considers that there is no valid basis upon which the franchise agreements could be terminated. However, there can be no assurance that the DfT will not, pursuant to the rights reserved by it on 16 November 2009 and in purported reliance on the cross-default provisions contained in the franchise agreements or otherwise, take other steps in an attempt to terminate the franchise agreements before the expiry of their respective contractual terms.

Following the DfT’s termination of the East Coast franchise the Secretary of State for Transport may seek to bring an action for damages against the Group

Following the DfT Notification and DfT Announcement, although the Issuer believes that it is unlikely that the Secretary of State for Transport will seek to bring an action for damages against the Group, there can be no assurance that such action will not be brought. Whilst the DfT may recover losses that it alleges arise from early termination and handover of the National Express East Coast franchise from NXEC Trains Limited (“**NXEC**”), the special purpose vehicle which operates National Express East Coast, as the counterparty to the franchise agreement. NXEC may not have sufficient assets to satisfy the value of any such claim. Notwithstanding this, based on clear legal advice regarding the limited nature of the Group’s financial obligations in relation to the East Coast franchise, the Issuer does not believe that the DfT would be entitled to recover any such losses from any other member of the Group other than NXEC.

The Group’s committed financial obligations are restricted to a £40 million subordinated loan to NXEC (which has now been fully drawn down), which was available to NXEC to maintain contractual liquidity ratios prior to the termination of the National Express East Coast franchise (for further information see “*Description of the Issuer—Recent Developments*”), and a performance bond to meet liabilities in the event of franchise default by NXEC, up to a maximum of approximately £32 million (which at the date of this

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Base Prospectus had been drawn by the DfT). The Issuer believes that, other than these commitments, the Group has no further financial obligations to the DfT in respect of the East Coast franchise or to Nxec. However, there can be no certainty that the DfT will not seek to recover any losses it suffers or purports to suffer as a result of the handover of the East Coast franchise from the Issuer or another member of the Group other than Nxec. In the event that any such claim was made, and ultimately proved successful, it could, depending on the level of damages awarded, have a material adverse effect on the Group's business, financial condition and results of operations. Moreover, any negative publicity associated with a claim or potential claim by the DfT for monetary damages arising out of the handover of the National Express East Coast franchise may have a material adverse effect on the Group's business, financial condition and results of operations, whether or not such claim is ultimately successful.

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. Where the Secretary of State for Transport can reasonably consider that default under one franchise within an owning group has a material impact on the other franchises within that owning group the DfT may also be able to invoke its right to terminate the other franchises under cross-default provisions set out in the relevant franchise agreements. 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 to extend or renew a franchise, but on substantially less favourable terms) may in each case materially and adversely impact 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.

There can be no certainty that the Group's North America Business Transformation programme will be successfully implemented

The Group is in the process of implementing its Business Transformation programme in the United States of America and Canada ("North America"), which is intended to deliver significant cost efficiencies and new service offerings in the future. The Business Transformation programme has, in particular, involved considerable expenditure in IT systems and bus equipment. The programme was announced in the first quarter of the 2008 financial year. Implementation is planned to occur over time, with some limited benefits expected in 2009 and 2010, followed by greater benefits planned in 2011 and 2012, expected to exceed US\$40 million per annum from the 2011 financial year.

The Group has incurred significant costs to date on the programme with the majority of the benefits yet to be delivered, in accordance with the current project plan. Whilst the Business Transformation programme has already delivered some of these targeted outputs, it involves a significant degree of change to the Group's North American business over a number of years. The original timescale to implement the project

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has been extended, to manage cash requirements and project delivery risk, and total projected costs and benefits are closely monitored to control any slippage. In addition, the Group has put in place a quality assurance plan which continually monitors the delivery of the project and its targeted benefits, and makes adjustments to these as appropriate in order to optimise the delivery of these benefits. However, there can be no certainty that the Business Transformation programme will be fully and successfully implemented by management, that it will deliver all of these intended improvements in the Group's North American business on time, or that the benefits of the Business Transformation programme will outweigh its costs of implementation.

Failure to implement the Business Transformation programme successfully 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. In the 2008 financial year, these initiatives and organisational changes included the integration of the three UK businesses into one division, and Spanish post-acquisition integration. The Group is also currently in the process of its Business Transformation programme in North America. In addition, during the 2009 financial year, the Group has sought to implement a number of cost savings initiatives designed to counter the effects of challenging trading conditions. These initiatives, together with potential corporate disposals, have been identified as a means of reducing the Group's net debt position.

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 further disposals, 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 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 adversely affecting 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 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 National Express 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.

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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. The Group 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 deficit in the 2008 financial year as a result of poor returns in equity and bond markets. The Group also participates in the Local Government Pension Scheme (“LGPS”).

Changes in the regulatory and funding environment in respect of both the defined benefit pension schemes and 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. In particular, the next triennial review of the funding position in relation to the LGPS is due to take place in March 2010 with the next triennial review of the Group’s principal non-rail defined benefit scheme due to take place in April 2010. 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.

In addition, the Group’s defined benefit pension scheme deficits are calculated on an IAS19 basis. 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 National Express Group’s cashflow.

The 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 been 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 pensions 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 is required to fund any deficit, this could have a material adverse effect on the Group’s cash flow.

The Group may be subject to an adverse finding by taxation authorities

The Group is currently in discussions with taxation authorities in respect of the effectiveness of certain tax planning arrangements it has implemented. As a result of such tax planning arrangements, in addition to trading-related tax balances, the Group has certain tax exposures, totalling £51.3 million as at 31 December 2008, against which a provision of £41.4 million has been made in the Group’s accounts. In the event of an adverse finding by taxation authorities, this could result in a substantial payment of cash which could have a material adverse effect on the Group’s cashflow.

Recent legislative developments in the United States could subject payments on the Notes to US information reporting and withholding tax

Proposed legislation recently introduced in the United States Congress, if enacted in its current form, could adversely affect holders of certain Notes by subjecting payments on and proceeds of the Notes to US withholding tax where the payor (or an intermediary) fails to comply with expanded information reporting obligations. It is possible, however, that the proposals may not be enacted in their current form or at all. If enacted, the proposals may or may not apply to Notes issued prior to such enactment. Potential investors in the Notes are encouraged to consult with their own tax advisors regarding the possible implications of the proposals on their investment in the Notes.

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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. The other sources of frequent, low value losses in the UK are the Group's UK rail operations. In relation to claims relating to rail, claims are subject to a £1 million policy deductible, although claims between £1 million and £11 million each are self-insured by the Group. Therefore, claims relating to the Group's UK rail business are subject to an external policy deductible of £11 million per separate claim and only the portion of loss above £11 million per claim can be recovered from external insurers.

With regard to the Group's US 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 \$13.5 million. An excess of \$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 per claim, which cannot be recovered. These policies include the Group's employer's liability insurance policy in the UK, and the Group's 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

Following the resignation of Richard Bowker as chief executive of the Group on 10 July 2009, the Group has been actively seeking a replacement. During this time, particularly given the challenging trading environment and takeover speculation concerning the Group, considerable reliance has been placed on the contribution of the Issuer's executive directors to the management of the 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, including a long term replacement chief executive, could adversely impact 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 34.4 per cent. of the Group's total operating costs in the 2008 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 materially and adversely impact 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 both heavily unionised, with approximately 94 per cent. of the UK division's employees and 40 per cent. of the Spanish division's employees represented by collective bargaining agreements. Approximately 14 per cent. of employees in the North American division are

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represented by collective bargaining agreements and the Board believes that there is growing pressure for unionisation of its employees in its North American division. There have been recent disputes between the Group and its labour unions, including industrial action by its labour unions in relation to the National Express East Anglia UK rail franchise in the 2009 financial year, on a number of issues relating to UK Rail operations. Should further significant industrial action be taken in any of the Group's divisions, the Group could experience a significant disruption of operations and increased costs as a result 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

The Group currently has in place a debt structure which is principally Sterling and Euro based, in order to match the currencies of the Group's principal facilities. 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 related to transaction exposures, 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 National Express 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 National Express is aware) which may have, or have had during the 12 months prior to the date of this document, a significant effect on National Express'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.

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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 are currently 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, or, if the Group is able to renew such arrangements, that 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 comprehensive business continuity 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 either the Issuer or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

Risks Relating to the Public Transportation Industry

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, the Group has experienced a slowdown in revenue growth. In particular, the Group's Spanish division has experienced a marked slowdown in revenue growth since the second half of the 2008 financial year, and the Group's UK division has experienced a marked slowdown in revenue growth since the fourth quarter of the 2008 financial year, with the Group's UK Rail business recording decreases in passenger numbers as well as changes in customer behaviour in relation to the volume of annual as opposed to monthly or weekly season ticket purchases, the purchase of standard rather than first class tickets and of advance rather than open tickets during this period.

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

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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, particularly in relation to the UK Rail business where certain 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 profitability. 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.

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 increased to 7.6 per cent. of the Group's total continuing revenue in the 2008 financial year from 6.3 per cent. in the 2007 financial year and 5.9 in the 2006 financial year. The price of crude oil (and therefore the refined petroleum products used in the Group's operations) was particularly volatile throughout the 2008 financial year, and remains so during the 2009 financial year, ranging from just over US\$35 per barrel to just over US\$145 per barrel *Source: Bloomberg*. 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, 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 September 2009, the Group had hedged approximately 100.0 per cent. of its expected fuel usage for the 2009 financial year, 98 per cent. of its expected fuel usage for the 2010 financial year and 66 per cent. of its expected fuel usage for the 2011 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 relatively high fixed cost base of the Group's UK Rail business means that falls in revenue could have a significant adverse effect on the Group's profitability

The Group's UK Rail business has a relatively high fixed cost base as a proportion of its total costs, consisting primarily of franchise costs, track access charges and staff costs associated with the business, and has limited scope to significantly reduce costs, in part due to restrictions contained in the franchise agreements. Revenue from the UK Rail business is the largest portion of the Group's total revenue from continuing operations. In the 2008 financial year, revenue from the UK Rail business represented 48.2 per cent. of the Group's total revenue. A decrease in the Group's revenue from its UK Rail business is likely therefore to have a disproportionately material adverse impact on both the Group's profitability from the business and the Group's overall profitability if the Group is unable, in the short to medium term, to manage the business's costs substantially to mitigate the effect of any significant falls in revenue. Any decrease in profitability could 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 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

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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 off peak 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 coach business competes primarily with high-speed train operators and, to a lesser degree, budget airlines. The Group's patronage in Spain also faces competition from the entry of national and international competitors into the market.

There can be no assurance that competitive pressures may not in the future adversely impact 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, including as a result of the handover of the East Coast franchise and/or any attempt by the DfT to assert any purported right of cross default in relation to the National Express East Anglia franchise and the c2c franchise, 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 impact on the Group's business, financial condition and operating results.

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

The Group's 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 impact on the Group's business, financial condition and operating results.

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 regulation restricts 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.). 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

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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 impact on the Group's business, financial condition and operating results.

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 materially and adversely affect 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 adversely impact the Group's business, financial condition and results of operations.

The Group's UK Bus business could be adversely affected as a result of a proposed Competition Commission inquiry into local bus services

In March 2009, the UK Office of Fair Trading (the "OFT") decided, on its own initiative, to launch a market study into local bus services, and published its findings on 20 August 2009. The study identified a number of features of local bus markets across Great Britain (excluding London) that the OFT considered could prevent, restrict or distort competition. As a result the OFT has concluded that it proposes to make a market reference to the Competition Commission for more detailed investigation. Where the OFT is proposing to make a reference to the national regulatory competition authority of the United Kingdom (the "Competition Commission") it must first consult, so far as practicable, any person upon whose interests the reference is likely to have a substantial impact. A public consultation on the proposed decision was launched, inviting comments by 15 October 2009. No decision has yet been published by the OFT following this consultation. If a market investigation reference is made and the Competition Commission undertake such an investigation (which could take up to two years to complete), an adverse competition finding could result in the industry or individual companies in the industry being required to implement measures to remedy any adverse features of the market which may be identified by the Competition Commission. The Competition Commission has a wide discretion as to what measures it can impose on the market to remedy the adverse features, potentially including obligations to divest businesses, pricing control measures and/or recommendations to government to change existing policies. Any such measures could (whether singularly or in the aggregate) have consequences for the way in which the participants in the industry, including National Express, operate in the market. Any such changes 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 and occupational health and safety 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 impact on the Group's business, financial condition and results of operations.

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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 impact 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.

Risks Related to the Notes

Notes will not be rated

As at the date of this Base Prospectus, neither the Issuer nor any of its securities have a credit rating and, accordingly, Notes issued under this Programme may not be assigned a credit rating from any independent credit rating agency. Investors will need to make their own assessment of the credit of the Issuer and the factors which may affect the value of any Notes without the benefit of an independent credit rating. The Issuer intends to obtain a credit rating for the Notes to be issued under this Programme but there can be no guarantee that the Issuer will be able to obtain such a credit rating. Even if such credit rating is obtained, investors in any Notes issued under this Programme should be aware that a credit rating is not a recommendation to buy, sell or hold any of the Notes and any credit rating that may be assigned to Notes

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issued under this Programme may be subject to suspension, change or withdrawal at any time by the assigning rating agency. Any credit rating that may be assigned to Notes issued under this Programme may go down as well as up.

Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have 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;
- have 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;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly Paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

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Variable rate Notes with a multiplier or other leverage factor

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

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.

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 or premium

The market values of securities issued at a substantial discount or premium 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 in certain other circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

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.

EU Savings Directive

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, Belgium 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. Belgium has announced that it will operate exchange of information from 1 January 2010. The transitional period will end after agreement on exchange of information is reached between the European Union and certain non-European Union states. No withholding will generally be required where the bondholder either

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authorises the person making the payment to report the payment or presents a certificate from the relevant tax authority establishing exemption therefrom. A number of third countries including Switzerland have adopted equivalent measures (a withholding system in the case of Switzerland) and certain dependent or associated territories of certain EU Member States have adopted equivalent measures with effect from the same date.

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, in principle, 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.

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. 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.

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Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal 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.

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USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes by the Issuer will be used for general corporate purposes, including, without limitation, to repay existing debt.

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INFORMATION INCORPORATED BY REFERENCE

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

- (1) the audited consolidated financial statements (including the auditors report thereon and notes thereto) of the Group in respect of the financial years ended 31 December 2007 and 31 December 2008; and
- (2) the unaudited consolidated financial statements of the Group in respect of the six months ended 30 June 2009,

provided that for the purposes of the prospectus rules enacted under Section 73A of the Financial and Services Markets Act 2000, any documents incorporated by reference into the above documents do not form part of this Base Prospectus.

For an update to the section entitled “*Going Concern*” under note “*1. Basis of preparation and accounting policies*” contained in the unaudited consolidated financial statements of the Group in respect of the six months ended 30 June 2009, please see “*Description of the Issuer—Recent Developments—Rights Issue*”.

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 7 Triton Square, London NW1 3HG. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

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FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression “necessary information” means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantors and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer and the Guarantors 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. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, may be contained 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, supplement 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 supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

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

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the Guarantors and the relevant Notes or (2) by a registration document (the “**Registration Document**”) containing the necessary information relating to the Issuer and the Guarantors, a securities note (the “**Securities Note**”) containing the necessary information relating to the relevant Notes. In addition, if the Drawdown Prospectus is constituted by a Registration Document and a Securities Note, any significant new factor, material mistake or inaccuracy relating to the information included in the Registration Document which arises or is noted between the date of the Registration Document and the date of the Securities Note which is capable of affecting the assessment of the relevant Notes shall be included in the Securities Note or a supplement to the Registration Document.

SUPPLEMENTARY LISTING PARTICULARS

If at any time the Issuer issues variable redemption Notes where the redemption amount may be other than the nominal amount of such Notes, and the Notes constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 applies, the Issuer will prepare and publish an appropriate supplement to this Base Prospectus which, in respect of such Notes to be listed on the Official List and traded on the London Stock Exchange, shall constitute supplementary listing particulars as required by the UK Listing Authority and section 81 of the Financial Services and Markets Act 2000.

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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 depository or a common depository for Euroclear Bank S.A./N. V. as operator, of the Euroclear System (“**Euroclear**”) and/or Clearstream Banking, *société anonyme*, Luxembourg (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

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

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

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms 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 (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no other clearing system is available or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with

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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 supplement, amend and/or replace those terms and conditions.

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

Legend concerning United States persons

In the case of any Tranche of 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.”

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TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced 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 National Express Corporation ("NEC"), Durham School Services, L.P. ("DSS") and West Midlands Travel Limited ("WMTL", and together with NEC and DSS, each a "Guarantor" and together, the "Guarantors").

(b) Final Terms:

Notes issued under the Programme are issued in series (each a "Series") and each Series may comprise one or more tranches (each a "Tranche") of Notes. Each Tranche is the subject of final terms (the "Final Terms") which supplements these terms and conditions (the "Conditions"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced 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 21 December 2009 (the "Trust Deed") between the Issuer, the Guarantors and BNY 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 21 December 2009 (the "Agency Agreement") between the Issuer, the Guarantors, 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 named in it (together with the Principal Paying Agent, the "Paying Agents" which expression shall include any additional or successor paying agents).

(e) Guarantees:

Each of the Guarantors has in the Trust Deed given an unconditional and irrevocable guarantee (each a "Guarantee" and together, the "Guarantees") on a joint and several basis 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 Guarantees*).

(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.

(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") and the holders of the receipts for the payment of instalments

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of principal (the “**Receipts**”) relating to Notes of which the principal is payable in instalments 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, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (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) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred, provided, however, that:
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (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;

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“**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 the 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 19 (*Notices*) stating:

- (a) that a Change of Control Put Event has occurred, 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;

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- (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 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;

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- (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;

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

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

- (a) any indebtedness for or in respect of moneys borrowed;

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- (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 any Note 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;

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

“**Guarantee**” and “**Guarantees**” have the meaning stated in Condition 1(e) (*Guarantees*);

“**Guarantor**” and “**Guarantors**” have 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**” has the meaning given in the relevant Final Terms;

“**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:

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

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

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

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“**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, Inc.;

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

“**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, 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

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

“**Permitted Security**” means:

- (a) any Security Interest existing at 21 December 2009;
- (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 21 December 2009 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;

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- (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, **PROVIDED, HOWEVER, THAT:**

- (a) in relation to euro, it means the principal financial centre of such Participating Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“**Put Option Notice**” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder pursuant to Condition 10(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 Exchange/method of calculating Rate of Exchange**” has the meaning given in the relevant Final Terms;

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

“**Rating Agency**” means each of Fitch, Moodys 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 (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**” has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

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

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

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

“**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

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(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;

“**Specified Period**” 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 rating agency of 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 12 (*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 12 (*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

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(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 and/or supplemented up to and including the Issue Date of the Notes.

3. Form, Denomination and Title

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the 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. Instalment Notes are issued with one or more receipts attached. Title to the Notes and the Receipts, Coupons and Talons will pass by delivery. The holder of any Note, Receipt 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 Guarantees

(a) Status of the Notes:

The Notes and the Receipts 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 each of the Guarantors are joint and several (if there is more than one Guarantor) and constitute direct, unconditional and (subject to the provisions of Condition 5 (*Negative Pledge*)) unsecured obligations of each Guarantor and (subject as provided above) will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of such Guarantors, 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 such 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), such 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 that Guarantor;
- (ii) no sums advanced pursuant to any Indebtedness for Borrowed Money in respect of which that Guarantor is or was providing a guarantee is at that time due and payable but unpaid; and
- (iii) such 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.

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(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) Notice of 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 19 (*Notices*).

5. Negative Pledge

So long as any of the Notes, Receipts or Coupons remains outstanding (as defined in the Trust Deed), each of the Issuer and each 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 relevant 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, Receipts and Coupons by the Issuer and by the Guarantors 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 11 (*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).

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(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 and Index-Linked Interest Note Provisions

(a) Application:

This Condition 7 is applicable to the Notes only if the Floating Rate Note provisions or the Index-Linked Interest 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 11 (*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:

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

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

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determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

(d) ISDA Determination:

If ISDA Determination is specified in the 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 either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(e) Index-Linked Interest:

If the Index-Linked Interest Note provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.

(f) 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.

(g) 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.

(h) 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

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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.

(i) 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.

(j) 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 Guarantors, 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.

(k) 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 Guarantors, 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).

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9. Dual Currency Note Provisions

(a) *Application:*

This Condition 9 is applicable to the Notes only if the Dual Currency Note provisions are specified in the relevant Final Terms as being applicable.

(b) *Rate of Interest:*

If the Rate of Interest or Interest Amount falls to be determined by reference to a Rate of Exchange/ method of calculating Rate of Exchange, the Rate of Interest or Interest Amount payable shall be determined in the manner specified in the relevant Final Terms.

10. Redemption and Purchase

(a) *Scheduled redemption:*

Unless previously redeemed, or purchased and cancelled in accordance with Condition 10(j) (*Cancellation*), the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*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 neither the Floating Rate Note provisions or the Index-Linked Interest Note provisions are specified in the relevant Final Terms as being applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note provisions or the Index- Linked Interest 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 19 (*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 12 (*Taxation*), or a 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 12 (*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 12(b)), 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); and
- (B) such obligation cannot be avoided by the Issuer and/or such 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 such 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 such 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 any 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

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(ii) a certificate signed by two authorised officers of the Issuer and/or such Guarantor, as the case may be, stating that the obligation referred to in (A) above cannot be avoided by the Issuer and/or such 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:

If Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders 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).

(d) Partial redemption:

If the Notes are to be redeemed in part only on any date in accordance with Condition 10(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 10(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 such date. In order to exercise the option contained in this Condition 10(e), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmaturing Receipts and 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 10(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 10(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 10(b) (*Redemption for tax reasons*) or Condition 10(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**").

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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 notice of exercise in the form (for the time being current) obtainable from the Specified Office of any Paying Agent and 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 10(f) (an “**Exercise Notice**”). The Note should be delivered together with all Receipts and Coupons and unexchanged Talons appertaining thereto maturing after the Change of Control Optional Redemption Date, failing which the Paying Agent will require payment from or on behalf of the Noteholder of an amount equal to the face value of any such missing Receipt, Coupon or Talon. Any amount so paid will be reimbursed by the Paying Agent to the Noteholder against presentation and surrender of the relevant missing Receipt, Coupon or Talon (or any replacement issued therefor pursuant to Condition 15 (*Replacement of Notes, Receipts, Coupons and Talons*)) at any time after such payment, but before the expiry of the period of ten years from the date on which such Receipt, Coupon or Talon would have become due, but not thereafter. If this Note is held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption or, as the case may be, purchase of a Note under this Condition 10(f) the holder of the Note must, within the Change of Control Put Period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time. The Paying Agent to which such Note and Exercise Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered or, in the case of a Note held through Euroclear and/or Clearstream, Luxembourg, notice received. 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, receipts issued pursuant to this Condition 10(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 10(f) on the Change of Control Optional Redemption Date unless previously redeemed (or purchased) and cancelled.

Any Exercise Notice, once given, shall be irrevocable except where prior to the Change of Control Optional Redemption Date an Event of Default shall have occurred and the Trustee shall have accelerated the Notes, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Exercise Notice and instead to treat its Notes as being forthwith due and payable pursuant to Condition 13 (*Events of Default*).

If 80 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 10(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” or the definition of “Non-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

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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 10(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 10(a) (*Scheduled redemption*) to 10(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 10(h) or, if none is so specified, a Day Count Fraction of 30E/360.

(i) Purchase:

The Issuer, any 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 Receipts and 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, any Guarantor or any Subsidiary and any unmatured Receipts, 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.

11. Payments

(a) Principal:

Payments of principal shall be made only against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), presentation and (PROVIDED THAT payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).

(b) Interest:

Payments of interest shall, subject to paragraph (h) below, be made only against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the

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due date for redemption and provided that the Receipt is presented for payment together with its relative Note), and 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 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons and Receipts 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 this Condition 11(f) is applicable or that the Floating Rate Note provisions or the Index-Linked Interest Note provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(e) (*Redemption at the option of Noteholders*), Condition 10(c) (*Redemption at the option of the Issuer*) or Condition 13 (*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.

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(g) Payments on business days:

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

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

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

(i) Partial payments:

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

(j) Payments:

Upon the due date for redemption of any Note that is redeemable in instalments, all Receipts relating to such Note having a date of payment of an instalment falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(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 14 (*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.

12. Taxation

(a) Gross up:

All payments of principal and interest in respect of the Notes, the Receipts and the Coupons by or on behalf of the Issuer or any 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 12(b)), 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, such 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, Receipt 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, Receipt or Coupon by reason of its having some connection with the Tax Jurisdiction (as defined in Condition 12(b)) by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note, Receipt 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

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- (iii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt 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, Receipt or Coupon would have been entitled to such additional amounts on presenting such Note, Receipt 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/or the United States, and in each case 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 any Guarantor is incorporated, organised, or otherwise resident for tax purposes or from or through which the Issuer and/or any Guarantor makes any payment on the Notes or to or in which the Issuer and/or any Guarantor becomes otherwise subject to tax.

13. Events of Default

If any of the following events occurs and is continuing:

(a) Non-payment:

the Issuer or any 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 any 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 such Guarantor, as the case may be; or

(c) Cross Default:

- (i) any other present or future Indebtedness for Borrowed Money of the Issuer, any 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 any Guarantor or a Material Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment or, as the case may be, within any applicable grace period as originally provided;
- (iii) any security given by the Issuer or any Guarantor or a Material Subsidiary for any Indebtedness for Borrowed Money is enforced; or
- (iv) default is made by the Issuer or any 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 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 10(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, any Guarantor or a Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession

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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, any Guarantor or a Material Subsidiary and is not discharged within 30 days; or

(f) Insolvency etc.:

- (i) the Issuer, any 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 of the Issuer, any Guarantor or any Material Subsidiary of all or substantially all of the undertaking, assets and revenues of the Issuer, such Guarantor or such Material Subsidiary is appointed (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, any 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 given by it; or
- (iv) a person presents a petition for the winding up, liquidation, dissolution, administration or suspension of payments of the Issuer, any 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, any 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, such 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, any Guarantor and/or a Material Subsidiary); or

(h) Cessation of business etc.:

the Issuer, any 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, such 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, any 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 any 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

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(k) Guarantee etc.:

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

14. Prescription

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

15. Replacement of Notes, Receipts, Coupons and Talons

If any Note, Receipt, 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 Guarantors may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

16. 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 Guarantors 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 Guarantors 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, Receipts, 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 Receipts, 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.

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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.

17. 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 two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two 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 two 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 to or 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 19 (*Notices*).

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(c) **Substitution:**

The Trust Deed contains provisions under which any Subsidiary of the Issuer may, without the consent of the Noteholders or Couponholders, assume the obligations of the Issuer (or of any previous substitute under this Condition 17(c)) as principal debtor under the Trust Deed and the Notes. If the Issuer shall determine that an existing Guarantor or any Subsidiary of the Issuer 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 19 (*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 Guarantors 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) that 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 12 (*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 17(c), references in these Conditions to the Issuer shall be read as references to the Substituted Debtor.

18. Enforcement

The Trustee may, at any time, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantors as it thinks fit to enforce any obligation, condition or provision binding on the Issuer and/or the Guarantors 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.

19. 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.

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(c) Couponholders:

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

20. 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.

21. 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.

22. Governing Law and Jurisdiction

(a) Governing law:

The Notes, the Trust Deed, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed, 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, Receipts, 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, Receipts, Coupons or Talons) or the consequences of their nullity.

(c) Appropriate forum:

The Issuer and each of the Guarantors agree 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.

23. Rights of Third Parties

No person shall have any right to enforce any term or condition of any Series of Notes under the Contracts (Rights of Third Parties) Act 1999.

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FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [date]

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

National Express Corporation

and

Durham School Services, L.P.

and

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 21 December 2009 [and the supplemental Base Prospectus dated [date]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of Directive 2003/71/EC (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 Guarantors 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 supplemental Base Prospectus] [is][are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.

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 [original date]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated 21 December 2009 [and the supplemental Base Prospectus dated [date]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of Directive 2003/71/EC (the “**Prospectus Directive**”), save in respect of the Conditions which are extracted from the base prospectus dated [original date] and are attached hereto. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.

Full information on the Issuer, the Guarantors and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [current date] [and the supplemental Base Prospectus dated [date]]. The Base Prospectuses [and the supplemental Base Prospectus] are available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive].

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1. (i) **Issuer:** National Express Group PLC
- (ii) **Guarantors:** National Express Corporation
Durham School Services, L.P.
West Midlands Travel Limited
2. [(i)] **Series Number:** [●]
- [(ii)] **Tranche Number:** [●]
- (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)
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 [insert date] (in the case of fungible issues only, if applicable)]
6. (i) **Specified Denominations:** [●]
- [Notes which are to be admitted to trading on a Regulated Market or offered to the public in any Member State must be issued in minimum denominations of at least EUR50,000 (or its equivalent in another currency).]
- [If Notes are to be issued with a minimum Specified Denomination and integral multiples in excess thereof, the following sample wording should be used:
- EUR50,000 and integral multiples of EUR1,000 in excess thereof up to and including EUR99,000. Definitive Notes will not be issued in denominations in excess of EUR99,000.]
- (ii) **Calculation Amount:** [●]
- (iii) **Issue Date:** [●]
- (iv) **Interest Commencement Date:** [Specify/Issue Date/Not Applicable]
7. **Maturity Date:** [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
- [If the Maturity Date is less than one year from the Issue Date, the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” (or another applicable exemption from section 19 of the FSMA must be available).]

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8. **Interest Basis:** [] per cent. Fixed Rate
[[*specify reference rate*] +/-] per cent. Floating Rate
[Zero Coupon]
[Index-Linked Interest]
[Other (*specify*)]
(further particulars specified below)
9. **Redemption/Payment Basis:** [Redemption at par]
[Index-Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (*specify*)]
10. **Change of Interest or Redemption/
Payment Basis:** [*Specify details of any provision for convertibility of
Notes into another interest or redemption/payment
basis*]
11. **Put/Call Options:** [Investor Put]
[Issuer Call]
[Change of Control Put]
[(further particulars specified below)]
12. **Status of the Notes:** Senior
13. **[[Date [Board] approval for issuance of
Notes obtained:** [] [and [], respectively]]

*(N.B. Only relevant where Board (or similar)
authorisation is required for the particular tranche of
Notes)]*
14. **Method of distribution:** [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs
of this paragraph)*
- (i) Rate[(s)] of Interest: [] per annum [payable [annually/semi-annually/
quarterly/monthly/other (*specify*)] in arrear]
- (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: [30/360/Actual/Actual (ICMA/ISDA)/other]
- [(vi) Determination Dates: [] in each year [*Insert regular interest payment dates,
ignoring Issue Date or Maturity Date in the case of a
long or short first or last coupon. N.B. only relevant
where Day Count Fraction is Actual/Actual (ICMA)*]
- (vii) Other terms relating to the method of
calculating interest for Fixed Rate
Notes: [Not Applicable/give details]

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16. **Floating Rate Note Provisions:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph.)*
- (i) Interest Period(s):
- (ii) Specified Period: [●]
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- (iii) Specified Interest Payment Dates: [●]
- (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
- (iv) First Interest Payment Date: [●]
- (v) Business Day Convention: [●]
- (vi) Additional Business Centre(s): [●]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [●]
- (viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Principal Paying Agent): [●]
- (ix) Screen Rate Determination: [●]
- Reference Rate: [For example, LIBOR or EURIBOR]
- Interest Determination Date(s): [●]
- Relevant Screen Page: [For example, Reuters LIBOR 01/EURIBOR 01]
- Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
- Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (x) ISDA Determination:
- Floating Rate Option: [●]
- Designated Maturity: [●]
- Reset Date: [●]
- (xi) Margin(s): [+/-][●] per cent. per annum]
- (xii) Minimum Rate of Interest: [●] per cent. per annum
- (xiii) Maximum Rate of Interest: [●] per cent. per annum

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- (xiv) Day Count Fraction:
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:
17. **Zero Coupon Note Provisions:** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Accrual Yield: per cent. per annum
- (ii) Reference Price:
- (iii) Any other formula/basis of determining amount payable: *[Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 10(h) (Early redemption of Zero Coupon Notes)]*
18. **Index-Linked Interest Note Provisions:** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula: *[Give or annex details]*
- (ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent):
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:
- (iv) Specified Period:
(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable".)
- (v) Specified Interest Payment Dates:
(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable".)
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
- (vii) Additional Business Centre(s):
- (viii) Minimum Rate of Interest: per cent. per annum

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- (ix) Maximum Rate of Interest: per cent. per annum
- (x) Day Count Fraction: per cent. per annum
19. **Dual Currency Note Provisions:** [Not Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [Give details]
- (ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent):
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:
- (iv) Person at whose option Specified Currency(ies) is/are payable:

PROVISIONS RELATING TO REDEMPTION

20. **Call Option:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s):
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: per Calculation Amount
- (b) Maximum Redemption Amount: per Calculation Amount
- (iv) Notice period:
21. **Put Option:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s):
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): per Calculation Amount
- (iii) Notice period:
22. **Change of Control Put Option:** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

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Change of Control Optional Redemption Amount and method, if any, of calculation of such amount, if different from that set out in the Conditions: [As set out in the Conditions/[●] per Calculation Amount]

23. **Final Redemption Amount of each Note:** [[●] per Calculation Amount/other/see Appendix]

In cases where the Final Redemption Amount is Index-Linked or other variable-linked: [give or annex details]

(i) Index/Formula/variable:

(ii) Calculation Agent responsible for calculating the Final Redemption Amount:

(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:

(iv) Determination Date(s):

(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:

(vi) Payment Date:

(vii) Minimum Final Redemption Amount: [●] per Calculation Amount

(viii) Maximum Final Redemption Amount: [●] per Calculation Amount

24. **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 and/or the method of calculating the same (if required or if different from that set out in the Conditions): [Not Applicable (if both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. **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].

26. **New Global Note Form:**

[Applicable/Not Applicable]

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27. **Additional Financial Centre(s) or other special provisions relating to Payment Dates:** [Not Applicable/give details. Note that this item: relates to the date and place of payment, and not interest period end dates, to which items 16(vi) and 18(vii) relate]
28. **Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes/No. *If yes, give details*]
29. **Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:** [Not Applicable/*give details*]
30. **Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:** [Not Applicable/*give details*]
31. **Other terms or special conditions:** [Not Applicable/*give details*]
(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

32. (i) If syndicated, names and addresses and underwriting commitments of Managers: [Not Applicable/*give names*]
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)
- (ii) Date of [Subscription Agreement]: [●]
- (iii) Stabilising Manager (if any): [Not Applicable/*give name*]
33. **If non-syndicated, name and address of Dealer:** [Not Applicable/]
34. **TEFRA:** [Not Applicable/The [C/D] Rules are applicable]
35. **Total commission and concession:** [●] per cent. of the Aggregate nominal amount
36. **Additional selling restrictions:** [Not Applicable/*give details*]

[PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for the Notes described herein to be admitted to trading on the [Regulated Market of the London Stock Exchange] pursuant to the £1,000,000,000 Euro Medium Term Note Programme of National Express Group PLC.]

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RESPONSIBILITY

The Issuer and the Guarantors accept responsibility for the information contained in these Final Terms [[relevant third party information] has been extracted from *[specify source]*. The Issuer and the Guarantors confirm that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by *[source]*, no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the National Express
Group PLC:

By: _____
Duly authorised

Signed on behalf of National Express Corporation

By: _____
Duly authorised

Signed on behalf of Durham School Services, L.P.

By: _____
Duly authorised

Signed on behalf of West Midlands Travel Limited

By: _____
Duly authorised

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PART B—OTHER INFORMATION

1. Listing

- (i) Admission to trading: [Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange/[other (*specify*)] with effect from [●].]/[Not Applicable.]

(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)

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

2. Ratings

Ratings:

The Notes to be issued have been rated:

[S&P: [●]]
[Moody's: [●]]
[Fitch: [●]]
[[Other]: [●]]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. Interests of Natural and Legal Persons involved in the [Issue/Offer]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“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.”

[When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

4. Reasons for the Offer, Estimated Net Proceeds and Total Expenses

- (i) Reasons for the offer: [●]
[●]
[●]
[●]

(See [“Use of Proceeds”] wording in Prospectus—if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)

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[(ii)] Estimated net proceeds:

[●]

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

[(iii)] Estimated total expenses:

[●]

[If the Notes are derivative securities for which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.]

5. **[Fixed Rate Notes Only—YIELD]**

Indication of yield:

[●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **[Floating Rate Notes Only—HISTORIC INTEREST RATES]**

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

7. **[Index-Linked Or Other Variable-Linked Notes Only—PERFORMANCE OF INDEX/ FORMULA/ OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING]**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

[Include a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s).]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]]/[does not intend to provide post-issuance information].]

8. **[Dual Currency Notes Only—PERFORMANCE OF RATE[S] OF EXCHANGE]**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

[When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

9. **Operational Information**

ISIN Code:

[●]

Common Code:

[●]

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New Global Note intended to be held in a manner which would allow Eurosystem eligibility:

[Not Applicable/Yes/No]

Note that the designation “**Yes**” simply means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [*Include this text if “Yes” selected in which case the Notes must be issued in NGN form*]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* and the relevant identification number(s):

[Not Applicable/give name(s) and number(s)]

Delivery:

Delivery [against/free of] payment

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

[●]

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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 safe keeper.

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 Guarantors 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 Guarantors in respect of payments due under the Notes and such obligations of the Issuer and the Guarantors will be discharged by payment to the 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.

Exercise of put option: In order to exercise the option contained in Condition 10(e) (*Redemption at the option of Noteholders*) or Condition 10(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.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) 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

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

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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 Offerletter 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 7 Triton Square, London NW1 3HG 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 services in North America.

The National Express Group employs approximately 43,000 employees and operate over 20,000 vehicles on three continents. More than nine 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 school bus division and its Spanish bus and coach division.

UK Bus

The National Express Group's UK Bus business operates over 1,800 buses, carrying approximately 320 million passengers a year, and employs approximately 5,900 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:

- **Travel Coventry** provides a comprehensive network of local bus services along 21 route corridors in and around Coventry in conjunction with Travel West Midlands, and serves the other major cities and towns of the West Midlands. Travel Coventry operates a fleet of 163 buses carrying around 85,000 passengers a day.
- **Travel 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 130 buses and coaches. In 2005 Travel Dundee became the first major operator in the UK to operate entirely with low floor, easy access buses on local services whilst also being able to boast a fleet fitted with innovative, digital CCTV. Travel Dundee also owns Travel Greyhound which offers a range of coaches and buses for commercial hire, as well as G&N Wishart, which provides rural bus services, school services and private coach hire.
- **Travel 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 over 5,000 people, including 330 drivers, and carries three quarters of a million passengers per day on a modern fleet of approximately 1,800 vehicles across over 300 routes.
- **Travel 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 120 people, of whom more than 50 are tram drivers.

In the 2008 financial year, the UK Bus business generated £341.0 million of continuing revenue (12.3 per cent. of the Group's total continuing revenue) and £40.0 million of continuing normalised operating profit (15.8 per cent. of the Group's continuing normalised operating profit).

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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 1,700 destinations, providing approximately 19 million passenger journeys each year, and employs approximately 1,600 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 32 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 around 200 pick up points in Medway and Swale and 23 drop 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 1,000 passengers per day.

In the 2008 financial year, the UK Coach business generated £244.7 million of continuing revenue (8.8 per cent. of the Group's total continuing revenue) and £27.0 million of continuing normalised operating profit (10.6 per cent. of the Group's continuing normalised operating profit). In the same year, like-for-like yield on pricing in the Group's National Express Coach operations increased approximately 6 per cent. and like-for-like passenger volume in the division decreased approximately 1 per cent. from the 2007 financial year; overall like-for-like revenue from the Group's National Express Coach operations increased approximately 5 per cent. from the 2007 financial year.

UK Rail

The National Express Group operates a range of commuter, intercity and rural passenger train services, including one of the most eminent franchises in the country: National Express East Anglia, which includes Stansted Express. The Group also operates the London commuter service, c2c and, up until 14 November 2009, operated the National Express East Coast franchise. The rail services operated by the National Express Group together provide approximately 164 million passenger journeys per year and employ approximately 6,200 people.

- **National Express East Anglia** comprises a comprehensive network of rail services out of London Liverpool Street to the East of England, including the Stansted Express service which connects London and the East of England to Stansted Airport. The National Express East Anglia network carries over 110 million passengers each year and employs over 3,000 people. National Express was awarded the franchise by the DfT on 29 January 2004 and commenced operating it on 1 April 2004. On 25 November 2009, the DfT notified London Eastern Railway Limited, the franchisee of the Group's National Express East Anglia franchise, that, as a result of its termination of the National Express East Coast franchise, which constituted an event of default under the cross-default provisions of the National Express East Anglia franchise agreement (for further information see "*Description of the Issuer—UK Rail—National Express East Coast*" and "*Description of the Issuer—Recent Developments—National Express East Coast*"), the franchise would terminate after the initial term of seven years, until 31 March 2011, without the option to extend until 31 March 2014.
- **National Express East Coast** operated fast, frequent passenger train services on the East Coast Main Line between London King's Cross, the East Midlands, Yorkshire, the north of England and Scotland. National Express was awarded the franchise by the DfT on 13 August 2007 and commenced operating on 9 December 2007. The franchise term was to run for over seven years until 10 November 2013 (or, if extended, until 31 March 2015). However, due to an event of default under the National Express

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East Coast franchise agreement, at 11.59 p.m. on 13 November 2009 the DfT terminated the franchise agreement (for further information see “*Description of the Issuer—Recent Developments—National Express East Coast*”).

- *c2c* links south Essex towns with London Fenchurch Street Station, calling at 26 stations. The network carries approximately 32 million passengers per year. National Express acquired the franchise as part of its acquisition of Prism Rail PLC on 19 September 2000. The franchise term runs until 2011.

In the 2008 financial year, the UK Rail business generated £1,332.5 million of continuing revenue (48.2 per cent. of the Group’s total continuing revenue) and £81.3 million of continuing normalised operating profit (32.0 per cent. of the Group’s continuing normalised operating profit). Of this, National Express East Coast generated £649 million of revenue and £23.3 million of continuing normalised operating profit. In the same year, like-for-like yield on pricing in the UK Rail business increased approximately 5 per cent. and like-for-like passenger volume in the division increased approximately 2 per cent. from the 2007 financial year; overall like-for-like revenue from the UK Rail business increased approximately 7 per cent. from the 2007 financial year.

Overall, in the 2008 financial year, the Group’s UK division (i.e. its UK Bus, UK Coach and UK Rail businesses combined) generated £1,911.4 million of continuing revenue (69.1 per cent. of the Group’s total continuing revenue) and £148.3 million of continuing normalised operating profit (58.4 per cent. of the Group’s continuing normalised operating profit).

North America

The National Express Group’s North American Bus division focuses solely on student transportation, and operates nearly 17,000 buses. The division employs over 22,000 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 29 states in the US and two provinces in Canada, partnering with over 300 school districts across North America.

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 2008 financial year, the North American division generated £372.5 million of continuing revenue (13.5 per cent. of the Group’s total continuing revenue) and £32.5 million of continuing normalised operating profit (12.8 per cent. of the Group’s continuing normalised operating profit), and overall like-for-like revenue in the North American division increased approximately 8 per cent. from the 2007 financial year.

Spain

The National Express Group is Spain’s leading private operator of coach and bus services. The division provides around 180 million passenger journeys per annum and employs over 6,800 people. It also operates urban bus services in Marrakesh, 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.

In the 2008 financial year, the Spanish division generated £483.1 million of continuing revenue (17.5 per cent. of the Group’s total continuing revenue) and £83.3 million of continuing normalised operating profit (32.8 per cent. of the Group’s continuing normalised operating profit).

Key Strengths

The Board believes that by focusing on improving operational management and a clear and sustainable shareholder value-added strategy, they have been able to navigate through challenging trading conditions and create a basis for an attractive and resilient business, delivery sustainable and profitable growth.

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Ability to manage its operations effectively despite challenging trading conditions

In the current challenging trading conditions the Group has delivered a resilient performance across most of its operations. Despite a general reduction in numbers of passengers travelling, new initiatives such as exploiting yield management techniques in the UK Coach business have generated compensating revenues, while operating costs such as operating kilometres in the Group's Spanish business have been 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 18.5 million passenger journeys per annum and approximately 1,800 employees. Its flexible cost structure utilising a subcontracting business model has proven to be a great success in today's volatile economy.

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.

The Business Transformation programme currently being implemented in the North American division is expected by the Board to drive down costs, improve revenue and facilitate long-term growth potential.

UK Rail business performance (excluding the loss-making National Express East Coast franchise that terminated at 11.59 p.m. on 13 November 2009) has been robust.

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 Rail, the Group has been able to develop c2c into being the best performing train operator in the UK, and National Express East Anglia had recorded its highest punctuality figure since the current franchise began in April 2004. In UK Coach, new dedicated customer facilities have been built in Birmingham and Stansted this year. In Spain, enhanced services have been rolled out, including the new Clase Eurobus. In North America, centralised driver recruitment aims to have "a driver in every seat" for the Group's school board customers.

The Group has made excellent cost savings initiatives and is on target to deliver €50 million of annualised costs savings by year end. Additional incremental initiatives are expected to be in due course.

Whilst the economic recession has seen a focus on cost control, new business opportunities have also been progressed. The UK Coach business has expanded airport contracts, while the Spanish business has been awarded a preliminary contract for a new urban bus operation in Morocco.

A focus on driving cash generation

By prioritising cash management, the Group has significantly enhanced cash generation through capital efficiencies and improved working capital management. These initiatives have largely contributed to the reduction of net debt by over £200 million during the first six months of 2009. This builds on the inherent cash generation qualities of the Group's transport businesses, supported by strictly targeted capital investment, opportunities to improve working capital, and selected disposal projects.

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 cost of driving a car is generally perceived as being lower than travelling by bus.

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 acquisitions have led to a situation where nearly two thirds of services in the UK are operated by five listed public transport providers, namely Arriva plc ("**Arriva**"), FirstGroup ("**FirstGroup plc**"), Go-Ahead Group plc ("**Go-Ahead**"), National Express and Stagecoach ("**Stagecoach Group plc**").

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.

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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. An example of this is the service operated by Hull Trains which competes with National Express East Coast in relation to services between London and Hull.

The Group’s UK rail business also faces competition from low-cost airlines in relation to certain routes and from other TOCs 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 and the Netherlands, such as Deutsche Bahn and NedRail.

In North America, the Group’s operations cover a very wide geographic area comprising over 14,000 routes under approximately 364 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 is to refocus on the Group’s core business to:

- maximise cash generation;
- deliver greater costs savings; and
- protect and grow revenue.

Maximise cash generation and strengthen the Group’s balance sheet

The Board believes that the Group’s current level of debt that has arisen in large part due to historical leveraged acquisitions acts as a constraint on the Group’s existing business. To address this issue the Group has focused its financial strategy on maximising cash generation, strengthening its balance sheet and reducing debt. During the first half year, the Group has harnessed the strong cash generative qualities of its businesses, limiting investment and significantly improving its working capital management, delivering a £95 million improvement in operating cash flow over the first half of 2008. The Group’s net funds flow improved by over £190 million in the first half of the current financial year versus the first half of 2008, as capital expenditure was cut by 40 per cent., working capital has been reduced by over £45 million since year end, the Group saved a net £25 million in dividend payments (on a comparable basis) and £37 million was raised from the sale of businesses and discontinued operations. As announced in the Group’s 2009 interim results, the Group has complied with all its debt funding requirements year to date.

Looking ahead, this element of the Group’s strategy will focus on maintaining compliance with the Group’s debt covenants at December 2009, exploring refinancing alternatives in relation to the first of the Group’s primary debt Facilities to mature, and exploring opportunities to continue debt reduction through appropriate cash management initiatives. This, the Issuer believes, will build on the strong cash generative nature of the Group’s various transport businesses.

Deliver greater cost savings

Driving cost efficiency and better productivity across all operations, which will deliver greater cost savings for the Group, is a key focus for the Group. This requires a constant focus on ensuring ‘best in class’ operating cost delivery.

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The Group announced in February 2009 a programme to deliver a £40 million reduction in annual operating costs which was subsequently raised to £50 million. The Company expects to deliver targeted cost savings this year across all three geographical areas in which the Group operates.

In addition, service operating costs have also been successfully reduced to help offset revenue shortfalls. Operating mileage has been reduced across bus and coach operations in the UK and Spain to counter the impact of lower passenger traffic. This has benefited from the flexible third party model in the UK Coach and the “headroom” to reduce additional service provision available in Spain. North America has made initial progress in reducing overall driver wage costs.

Protect and grow revenue

The Group has begun to refocus on its core bus and coach operations in the UK, Continental Europe and North America. The Board believes that focusing on the organic development of its bus and coach businesses will yield the greatest benefit to the Group given their strong cash generative nature and current market leadership positions. The Group is focused on organic growth in existing markets and on developing businesses in new markets where it can create value, and in light of challenging recessionary conditions its branding investment is now more targeted. Growth is expected as a result of the provision of affordable choice for the cost conscious consumer and although near-term acquisitions are unlikely, the Group continues to develop new business. An example of this is the Group’s selection as preferred bidder on a long-term contract to operate urban services in Agadir, Morocco.

Focusing on these core business parts will also enable the Group to identify additional cost efficiencies, from what is already a platform for performance delivery and progressive improvement. In refocusing on core businesses the Group has already disposed of non-core assets or assets which yield insufficient returns to the Group.

Recent Developments

National Express East Coast

On 4 November 2009 the DfT notified NXEC, the special purpose vehicle which operates National Express East Coast franchise, that it would terminate such franchise due to an event of default under the National Express East Coast franchise agreement. At 11.59 p.m. on 13 November 2009 the DfT terminated the National Express East Coast franchise, whereupon the operation of the East Coast franchise transferred to Directly Operated Railways Limited, a special purpose holding company established by the DfT for that purpose (“DOR”). On 16 November the DfT notified London Eastern Railway Limited and c2c Rail Limited, each a wholly-owned subsidiary of the Issuer and the respective franchisee of the National Express East Anglia franchise and the c2c franchise, that (i) by virtue of the termination of the East Coast franchise, an event of default had occurred under the cross-default provisions of the National Express East Anglia and c2c franchise agreements and (ii) it reserved its position in respect of such events of default.

On 25 November 2009 the DfT notified London Eastern Railway Limited that the National Express East Anglia franchise agreement would terminate at the expiry of its current term, on 31 March 2011 and, therefore, not be extended to 31 March 2014. The Issuer has fully considered the loss of the National Express East Anglia franchise at the expiry of its current term in determining the appropriate size of the Rights Issue (see “Recent Developments—Rights Issue”) and as a result there will be no material impact on the Group.

Rights Issue

On 11 November 2009, the Issuer announced a proposed offer by way of rights of new ordinary shares in the Issuer to qualifying shareholders of the Issuer (the “Rights Issue”). The Group’s strategy in recent years has been to develop its business organically and through selective, value enhancing acquisitions, whilst seeking to maximise returns to shareholders of the Issuer through maintaining an efficient balance sheet. This has created a strong and diversified portfolio of transport businesses, most of which are demonstrating reduced sensitivity to the current economic environment. However, the marked underperformance of the East Coast rail franchise, together with the Group’s balance sheet carrying a higher level of debt following a period of growth and investment, led the Board to conclude that the Rights Issue was in the best interest of shareholders of the Issuer. On 27 November 2009 at an Extraordinary General Meeting of the Issuer, its shareholders passed ordinary resolutions to increase the maximum

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nominal amount of shares that may be allotted by the Issuer from £13,000,000 to £40,000,000 and to authorise the Directors to allot shares in the Issuer in connection with the Rights Issue up to an aggregate nominal amount of £17,852,169.50.

In the unaudited consolidated financial statements of the Group in respect of the six months ended 30 June 200, published prior to the Rights Issue, under the section “*Going Concern*” in note “*1. Basis of preparation and accounting policies*”, the Issuer discloses the risk that, in certain circumstances, it may breach its banking covenants under the £800,000,000 Sterling Revolving Credit Facility dated 5 June 2006 (the “**Sterling RCF**”) and the €540,000,000 Multicurrency Revolving Facility Agreement dated 14 February 2008 (the “**Euro Bridge Facility**”, and, together with the Sterling RCF, the “**Facilities**”). As a consequence of the Issuer’s shareholders passing the ordinary resolutions in relation to the Rights Issue, the Issuer believes that the risk of it breaching its banking covenants under the Facilities no longer exists and that such note should be construed accordingly.

Euro Bridge Facility

As at 30 September 2009 the Group had £475.5 million drawn under the Euro Bridge Facility, which amount the Group recognises in its current bank loans, as the facility matures within one year, in September 2010. If the Issuer obtains an extension of the Euro Bridge Facility to March 2011, the Group would therefrom recognise any amount drawn under the Euro Bridge Facility in its non-current bank loans until 31 March 2010, from which date the facility would mature within one year.

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**”).

<u>Name</u>	<u>Country of Incorporation</u>	<u>Proportion of ownership interest</u>	<u>Principal activity</u>
National Express Limited	England and Wales	100%	Administration and marketing of express coach service in Great Britain
Eurolines (UK) Limited	England and Wales	100%	Administration and marketing of express coach service in Europe
Airlinks Airport Services Limited	England and Wales	100%	Operation of coach services
National Express Rail Replacement Limited	England and Wales	100%	Operation of coach services
The Kings Ferry Limited	England and Wales	100%	Operation of coach services
West Midlands Travel Limited	England and Wales	100%	Operation of bus services
c2c Rail Limited	England and Wales	100%	Operation of train passenger services
Central Trains Limited (ceased operating on 10 November 2007)**	England and Wales	100%	Operation of train passenger services
Gatwick Express Limited (ceased operating on 22 June 2008)**	England and Wales	100%	Operation of train passenger services
London Eastern Railway Limited (trading as National Express East Anglia)	England and Wales	100%	Operation of train passenger services
Maintrain Limited (ceased operating on 10 November 2007)**	England and Wales	100%	Provision of train maintenance services
Midland Main Line Limited (ceased operating on 10 November 2007)**	England and Wales	100%	Operation of train passenger services

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<u>Name</u>	<u>Country of Incorporation</u>	<u>Proportion of ownership interest</u>	<u>Principal activity</u>
National Express Trains Limited	England and Wales	100%	Holding company for train operating companies
NXEC Trains Limited (trading as National Express East Coast)	England and Wales	100%	Operation of train passenger services
Silverlink Train Services Limited	England and Wales	100%	Operation of train passenger services
Travel London (Middlesex) Limited (ceased trading on 10 November 2007)**	England and Wales	100%	Operation of bus services
Tayside Public Transport Co Limited (trading as Travel Dundee)	Scotland	100%	Operation of bus services
Durham School Services, L.P.	United States	100%	Operation of school bus services
National Express Corporation	United States	100%	Holding company for operating companies
A&E Transport Services, Inc.	United States	100%	Operation of school bus services
Stock Transportation Limited	Canada	100%	Operation of school bus services
National Express Spanish Holdings Limited	Spain	100%	Holding company for operating companies
Tury Express SA	Spain	100%	Holding company for operating companies
General Tecnica Industrial SLU	Spain	100%	Holding company for operating companies
Continental Auto S.L.	Spain	100%	Holding company and bus operating company

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

** These businesses ceased operating train passenger services or maintenance services on the dates noted above. However the companies continue to trade as going concerns.

Management

The Directors and Senior Managers of the Issuer are:

<u>Directors and Senior Managers</u>	<u>Position held</u>	<u>Other Principal Activities</u>
John Devaney	Executive Chairman	Director of Mainpower plc, Tersus Energy plc and Northern Rock plc
Dean Finch	Group Chief Executive*	Director of Tube Lines (Finance) Plc and Tube Lines Limited and Company Director of Badgerline Yorkshire Limited
Jez Maiden	Group Finance Director	Non-Executive Director of Yule Catto & Co plc and Fellow of the Chartered Institute of Management Accounts
Ray O'Toole	Chief Operating Officer	Member of the British Transport Police Authority
Jorge Cosmen	Non Executive Deputy Chairman	Not Applicable

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<u>Directors and Senior Managers</u>	<u>Position held</u>	<u>Other Principal Activities</u>
Tim Score	Senior Independent Non-Executive Director	Chief Financial Officer of ARM Holdings PLC.
Miranda Curtis	Non-Executive Director	Executive Officer of Liberty Global Inc, President of Liberty Global Japan, a Director of Jupiter Telecommunications Limited and a Trustee and Member of the Board of Governors of the Institute for Government
Roger Devlin	Non-Executive Director	Chairman of three private equity businesses on behalf of Permira and Isis, Chairman of Satellite Information Services and Senior Independent Director of RPS Group plc
Sir Andrew Foster	Non-Executive Director	Deputy Chairman of Royal Bank of Canada Europe Limited, Non-Executive Director of Nestor Healthcare Group plc and Prudential Health Limited, Chairman of the Commonwealth Games Council for England and of the Commission on 2020 Public Services
Javier Carbajo	Chief Executive Officer, ALSA group	Not Applicable
David Franks	Acting Chief Executive, UK Division	Chairman of the industry's National Performance Task Force
Brian Stock	Chief Executive Officer, North America	Not Applicable

* Dean Finch was appointed as Group Chief Executive on 16 December 2009. He will join the Group in early Spring 2010.

John Devaney, aged 63 (Executive Chairman)

John Devaney was educated at the University of Sheffield and completed the Advanced Management Programme at the Harvard Business School. He 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.

Dean Finch, aged 43 (Group Chief Executive)

Dean Finch was appointed as Group Chief Executive on 16 December 2009. He will join the Group in early Spring 2010. He is experienced in the transport sector and is currently chief executive of Tube Lines Limited, a private finance initiative which is responsible for maintaining and upgrading half of the London Underground system. Before joining Tube Lines Limited, 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 48 (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.

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Ray O'Toole, aged 54 (Chief Operating Officer)

Ray O'Toole joined the Board in November 1999 and he became Chief Operating Officer of the Group on 10 July 2009. From January 2008, Ray became Chief Executive of all National Express UK operations. He has 30 years' operational experience in transport. He spent the early part of his career in various engineering management positions at Greater Manchester Passenger Transport Executive. Ray joined National Express from FirstGroup plc, where he was responsible for its operations in Yorkshire and the North West as both Divisional Director and Group Engineering Director. He is a Member of the British Transport Police Authority.

Jorge Cosmen, aged 41 (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 49 (Senior Independent Non-Executive Director)

Tim Score was appointed to the Board in February 2005 and appointed as Senior Independent Director in May 2008. Between 9 December 2008 and 2 April 2009 he served as Interim Chairman of National Express. 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.

Miranda Curtis, aged 53 (Non-Executive Director)

Miranda Curtis was appointed to the Board in June 2008. She is an Executive Officer of Liberty Global Inc (Denver, Colorado), President of Liberty Global Japan and a director of Jupiter Telecommunications Limited (J:COM) in Tokyo. She has also served on the boards of Liberty subsidiaries in Singapore, Ireland, France and Spain. She is a Trustee and member of the Board of Governors of the Institute for Government. Between 1998 and 2002 she was a non-executive director of Telewest Communications plc and between 1998 and 2000 a non-executive director of Flextech plc.

Roger Devlin, aged 52 (Non-Executive Director)

Roger Devlin was appointed to the Board on 1 October 2007. Roger spent 13 years as a Director of Hill Samuel where he was head of Mergers and Acquisitions and Chief Executive of their US investment banking operations. He then moved to Ladbrokes, later Hilton PLC, as Group Corporate Development Director. He now chairs three private equity businesses on behalf of Permira and Isis, all active in the leisure and hospitality fields as well as chairing Satellite Information Services on behalf of the bookmaking industry. He is also Senior Independent Director of RPS Group plc, Europe's leading environmental consultancy.

Sir Andrew Foster, aged 64 (Non-Executive Director)

Sir Andrew 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 Nestor Health Care and PruHealth. Sir Andrew has also completed reviews of further education and athletics for the Government.

Javier Carbajo, aged 55 (Chief Executive Officer, ALSA group)

Javier Carbajo joined the Group in December 2005 when ALSA was acquired by National Express. A graduate in economics and with an MBA, he has been with ALSA for 30 years during which time he has held management positions in most areas of the business. In 1999 he was appointed Chief Executive of Enatcar following its acquisition by ALSA. In 2003 he was appointed Chief Executive Officer of ALSA Group.

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David Franks, aged 52 (Acting Chief Executive, UK Division)

David Franks joined the Group in January 2003 as Trains Divisional Director (North) and led Midland Mainline's revival to become Britain's best-performing train operator. He was appointed Chief Executive of the Trains Division in February 2004. David was interim Managing Director of National Express East Coast, having taken over the franchise for the East Coast Mainline on 9 December 2007, and resumed his role as Trains Director for the Group a year later. David is a career railwayman with over 35 years' experience. Immediately before joining National Express he was Managing Director of South Central at Go-Ahead and was previously Managing Director of First North Western, part of FirstGroup. David is Chairman of the industry's National Performance Task Force and was President of the Railway Study Association for the 2007/08 session. He became Acting UK Chief Executive on 10 July 2009.

Brian Stock, aged 51 (Chief Executive Officer, North America)

Brian Stock joined the Group in 2002 through the acquisition of Stock Transportation. He has overseen the North American student bus operations since March 2004 and was appointed as Chief Executive of the Group's North American operations in October 2004. Brian has had over 25 years' experience in the bus industry. Prior to joining the Group, Brian was President of Stock Transportation and responsible for guiding the business to become the fifth largest school bus company in North America.

Conflict of Interest

The Directors have notified the Board of all their directorships and other interests. Save for the appointment of Jorge Cosmen by European Express Enterprises Limited ("EEEL"), a major shareholder of the Issuer, pursuant to an agreement between the Issuer and EEEL (the "Relationship Agreement") (a summary of which is set out under "General Information—8. Material Contracts—Relationship Agreement") 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 7 Triton Square, London NW1 3HG, United Kingdom.

Major Shareholders

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

<u>Shareholder</u>	<u>Number of Ordinary Shares*</u>	<u>Percentage of issued share capital</u>
European Express Enterprises Limited**	87,836,348	17.221
Prudential PLC	19,296,808	3.783
Elliot International LP Liverpool Ltd Partnership	51,596,252	10.1157
UBS Investment Bank	42,854,591	8.402
Newton Investment Management Ltd	6,831,739	1.339
Legal & General Group Plc	6,037,172	1.184

* The above table sets out the number of Ordinary Shares held by the major shareholders as at the date of this Base Prospectus. As at the date of this Base Prospectus, European Express Enterprises Limited, Elliot International LP Liverpool Ltd Partnership and UBS Investment Bank have notified the Issuer of their respective shareholdings following completion of the Rights Issue. The shareholdings of the other major shareholders are their respective shareholdings prior to the Rights Issue, and may change pursuant to the Rights Issue following any notification.

** Jorge Cosmen holds interests in 92,591,971 Ordinary Shares through his connected persons, including European Express Enterprises Limited.

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DESCRIPTION OF NATIONAL EXPRESS CORPORATION

Overview

National Express Corporation (“NEC”) is a Delaware corporation under the laws of the United States of America. NEC was initially incorporated on 3 June 1998. Its tax ID number is 52-2106217. NEC became a wholly-owned subsidiary of the Issuer on 16 August 1999. NEC’s registered office is at 2711 Centerville Road, Ste. 400, Wilmington, DE 19808, United States of America and its telephone number is +1 630 435 8000. Its principal office is at 1431 Opus Place, Suite 200, Executive Tower West I, Downers Grove, IL 60515, DuPage County, United States of America.

History

NEC was formed to be the United States holding company for the Issuer as it entered the North American market. The primary division in the United States has always been the operation of a school bus business which was formed through a series of acquisitions, primarily consisting of Crabtree-Harmon Corporation (acquired in 1998), Robinson Bus Service, Inc. (acquired in 1999), Durham Transportation, Inc. (acquired in 1999), School Services and Leasing, Inc. (acquired in 2000), Jones School Bus Service, Inc. (acquired in 2005), Reliance Motor Coach Company, Inc. (acquired in 2006), Double A Transportation, Inc. (acquired in 2007), Murphy Transportation, Inc. (acquired in 2007) and A&E Transport Services, Inc. (acquired in 2008). NEC also owned a public transportation business, which was sold in 2005, and operated a commercial airport (through a subsidiary) in New York state, which was sold in 2007.

Business Activities

NEC is the ultimate holding company for Durham School Services, L.P. and A&E Transport Services, Inc. which operate school buses in more than 29 states in the United States of America.

Organisational Structure

NEC is an indirect wholly-owned subsidiary of the Issuer. See “*Description of the Issuer—Subsidiaries*” on pages 75 to 76.

Management

The executive officers of NEC are as follows:

<u>Name</u>	<u>Position held</u>
Brian Stock	Chief Executive Officer and President
Robert Pagorek	Chief Financial Officer
Andrew Moriarty	Executive Vice President
Barry Stock	Executive Vice President
Janice Lahti	Executive Vice President
John Polli	Senior Vice President of Business Development
Robert Beal	Controller
Thomas Shanahan	Secretary
Michele McDermott	Director of Human Resources

The business address for the Directors and Officers of NEC is 1431 Opus Place, Suite 200, Executive Tower West I, Downers Grove, IL 60515, Du Page County, United States of America. None of the Directors or executive officers of NEC has any potential conflicts of interest between their duties to NEC and their private interests or other duties to third parties.

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DESCRIPTION OF WEST MIDLANDS TRAVEL LIMITED

Overview

West Midlands Travel Limited (“WMTL” or the “**Guarantor**”) 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 WMTL passed a special resolution to change its name to West Midlands Travel Limited. The registered office of WMTL is 51 Bordesley Green, Birmingham, B9 4BZ, United Kingdom, telephone number +44 (0)121 254 7200.

History

On 26 October 1986, WMTL 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 WMTL, 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

WMTL 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 1,800 vehicles across over 300 routes.

Organisational Structure

WMTL is a wholly-owned subsidiary of the Issuer. Please see “*Description of the Issuer—Subsidiaries*” on pages 75 to 76 of this Base Prospectus for a description of the Group.

Management

The Directors of WMTL are as follows:

<u>Name</u>	<u>Position held</u>
Neil Barker	Director
Peter Coates	Director
Martin Hancock	Director
Ray O’Toole	Director
Alex Perry	Director
David Woodcock	Director

The business address of the Directors of WMTL is 7 Triton Square, London, NW1 3HG, United Kingdom. Ray O’Toole is a Director of the Issuer but there is no potential conflict of interest between his or any of the other Directors’ duties to WMTL and their private interests or other duties to third parties.



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DESCRIPTION OF DURHAM SCHOOL SERVICES, L.P.

Overview

Durham School Services, L.P. (“DSS” or the “Guarantor”) was established as a limited partnership in the United States of America on 1 October 2002 under the laws of Delaware. The registered office is at 1209 Orange Street, Wilmington, New Castle County, Delaware with tax ID number 95-32320487. The head office of DSS is at 1431 Opus Place, Suite 200, Downers Grove, IL 60515, United States of America, telephone number +1 630 435 8000.

History

DSS is the successor in interest to a company established in 1917, which operated a three-bus company in the San Gabriel Valley of California and specialised in special education transportation. DSS now consists of various companies acquired by the Issuer since it entered the North American market in 1998. These companies were acquired by NEC or other affiliates and subsequently merged with DSS. The more significant acquisitions have included Crabtree-Harmon Corporation in 1998, Robinson Bus Service, Inc. in 1999, Durham Transportation, Inc. in 1999, School Services and Leasing, Inc. in 2000, Jones School Bus Service, Inc. in 2005, Reliance Motor Coach Company, Inc. in 2006, Double A Transportation, Inc. in 2007 and Murphy Transportation, Inc. in 2007.

DSS operates more than 12,800 school buses and serves more than 300 school districts in 29 states across the United States of America. It has corporate offices located in Downers Grove and Warrenville, Illinois; and its local customer service centres are supported by regional operations teams located throughout the United States of America.

Business Activities

DSS’s main activities include regular home-to-school services, service for special needs students, field-trip service, summer school and camp service and other trips.

DSS is a full service student transportation provider offering school bus services in North America. This North American bus 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 2008 financial year, DSS generated £372.5 million of continuing revenue (13.5 per cent. of the Group’s total continuing revenue) and £32.5 million of continuing normalised operating profit (12.8 per cent. of the Group’s continuing normalised operating profit), and overall like-for-like revenue in DSS increased approximately 8 per cent. from the 2007 financial year. For a full description of these activities, please see “Description of the Issuer” starting on page 69 of this Base Prospectus.

Organisational Structure

DSS is an indirect wholly-owned subsidiary of the Issuer. Its general partner is Durham Holding II, L.L.C and its limited partner is Durham Holding I, L.L.C. National Express Corporation is the sole member of Durham Holding I, L.L.C. and the sole managing member of Durham Holding II, L.L.C. Please see “Description of the Issuer—Subsidiaries” on pages 75 to 76 of this Base Prospectus for a description of the Group.

Management

The executive officers of DSS are as follows:

<u>Name</u>	<u>Position held</u>
Brian Stock	President and Chief Executive Officer
Barry Stock	Executive Vice President
Janice Lahti	Executive Vice President
Andrew Moriarty	Executive Vice President
Robert Pagorek	Chief Financial Officer
Robert Beal	Controller
Thomas Shanahan	Secretary

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The business address of the executive officers of DSS is 1431 Opus Place, Suite 200, Downers Grove, IL 60515, United States of America. None of the executive officers of DSS has any potential conflicts of interest between their duties to DSS and their private interests or other duties to third parties.

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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 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 a Guarantor

Depending on the correct legal analysis of payments made by a Guarantor as a matter of UK tax law, it is possible that payments by a 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 disapplied (unless HMRC direct otherwise) in respect of a payment which the

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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 a 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 in respect of such redemption amounts for the year 2009–2010 (although it is possible that such information may be required in future years). 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, Belgium 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. Belgium has announced that it will operate exchange of information from 1 January 2010. The transitional period will end after agreement on exchange of information is reached between the European Union and certain non-European Union states. No withholding will generally be required where the bondholder either authorises the person making the payment to report the payment or presents a certificate from the relevant tax authority establishing exemption therefrom. A number of third countries including Switzerland have adopted equivalent measures (a withholding system in the case of Switzerland) and certain dependent or associated territories of certain EU Member States have adopted equivalent measures with effect from the same date.

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SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Barclays Bank PLC, Commerzbank Aktiengesellschaft and The Royal Bank of Scotland plc (the “**Dealers**”). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Dealer Agreement dated 21 December 2009 (the “**Dealer Agreement**”) and made between the Issuer, each of the Guarantors and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America:

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

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

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 Final Terms as being applicable to any Tranche of Notes, Notes must be issued and delivered outside the United States and its possessions in connection 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

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

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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 or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantors and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

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

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GENERAL INFORMATION

1. Authorisation

The establishment 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 17 December 2009, (ii) resolutions by the unanimous written consent of the board of directors of NEC passed on 11 December 2009 (iii) a resolution of the board of directors of WMTL passed on 17 December 2009 and (iv) resolutions by the written consent of the general partner of DSS passed on 11 December 2009. Each of the Issuer and the Guarantors 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 guarantees relating to them.

2. Clearing of the Notes

The Notes have been accepted for clearance through Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme. The appropriate common code and the International Securities Identification Number (“ISIN”) in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

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.

4. Legal and Arbitration Proceedings

None of the Issuer, the Guarantors and 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 each of the Guarantors 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, each of the Guarantor’s and/or the Group’s financial position or profitability.

5. Significant/Material Change

Save as disclosed under “*Description of the Issuer—Recent Developments—National Express East Coast*” and “*Description of the Issuer—Recent Developments—Rights Issue*”, there has been no significant change in the financial or trading position of the Issuer, the Guarantors or the Group since 30 June 2009, being the date to which the latest unaudited interim financial information of the Group was prepared.

There has been no material adverse change in the prospects of the Issuer or the Guarantors since 31 December 2008.

6. Auditors

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 2007 and the financial year ended 31 December 2008 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.

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 7 Triton Square, London, NW1 3HG, 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;

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- (c) the Trust Deed;
- (d) the Agency Agreement;
- (e) the Dealer Agreement;
- (f) each subscription 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;
- (g) the audited consolidated financial statements of the Group for the years ended 31 December 2007 and 31 December 2008;
- (h) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2009;
- (i) the Issuer's memorandum and articles of association;
- (j) NEC's Amended and Restated By-Laws and Certificate of Incorporation;
- (k) WMTL's memorandum and articles of association; and
- (l) DSS's Agreement of Limited Partnership and Certificate of Limited Partnership.

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 (a) in the two years immediately preceding the date of this document and are, or may be, material or (b) contain provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

Underwriting Agreement

On 11 November 2009, the Issuer entered into an underwriting agreement (the "**Underwriting Agreement**") with Merrill Lynch International ("**MLI**"), Morgan Stanley & Co. International plc ("**MSCI**"), Morgan Stanley Securities Limited ("**MSSL**"), Barclays Bank PLC ("**Barclays**"), RBS Hoare Govett Limited ("**RBSHG**"), Banco Bilbao Vizcaya Argentaria S.A. ("**BBVA**"), BNP PARIBAS ("**BNPP**"), Commerzbank Aktiengesellschaft ("**Commerzbank**") and HSBC Bank plc ("**HSBC**") and together with MLI, MSCI, MSSL, Barclays, RBSHG, BBVA, BNPP and Commerzbank, the "**Banks**") in connection with a rights issue conducted by the Issuer (the "**Rights Issue**"). Pursuant to the Underwriting Agreement, the Banks will be paid a fee of 3.5 per cent. of the issue price of the new ordinary shares issued pursuant to the Rights Issue (the "**New Ordinary Shares**"), and the Issuer will bear all costs, charges and expenses of or incidental to the Rights Issue. The Issuer has given (i) certain customary representations and warranties to the Banks, and (ii) customary indemnities to the Banks and to certain persons connected with them. The liabilities of the Issuer are unlimited as to time and amount. In addition, the Issuer has given certain undertakings to the Banks relating, amongst other things, to consultation with, and provision of information to, the Banks.

Disposal of Travel London

On 21 May 2009, WMTL entered into a share purchase agreement ("**SPA**") with NedRailways Limited under which NedRailways Limited would acquire the entire issued share capital of Travel London Limited ("**TLL**") and Travel London (West) Limited ("**TLW**"), for a total cash consideration of £32,000,000, subject to adjustment following production of completion accounts. The consideration was apportioned between the two companies; 70 per cent. for TLL and 30 per cent. for TLW. The SPA was conditional upon obtaining consent from TfL to the change of control of both TLL and TLW for the purposes of the framework agreements between TfL and each of TLL and a TLW, respectively.

Pursuant to the SPA, on 21 May 2009, WMTL, TLL and TLW entered into a transitional services agreement ("**TSA**"), whereby WMTL will provide certain services, from the date of completion of the SPA, to TLL and TLW, including the supply of fuel, IT services and general commercial, support and back office services in consideration for the payment of service charges to WMTL, as set out in the TSA. The disposal completed on 9 June 2009.

Merger Agreement relating to ALSA

On 11 October 2005 National Express entered into a merger agreement (the "**ALSA Agreement**") with six companies belonging to the Cosmen family (the "**Sellers**") for the acquisition of 100 per cent. of the shares

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of the three holding companies of the ALSA group (the “**ALSA Shares**”), namely General Técnica Industrial SL, Turyexpres SA and Dabliu Consulting SL. The agreed consideration was €681,987,190 plus cash and minus debt, to be paid partially in cash (the “**Cash Consideration**”) and partially in shares of National Express to be issued in favour of one of the Sellers (the “**Consideration Shares**”). The ALSA Agreement is governed by English law. The ALSA Agreement contained a number of conditions precedent including as to (i) the clearance of the transaction by the Spanish competition authorities, (ii) the admission of the Consideration Shares to the Official List and to trading London Stock Exchange’s main market for listed securities (the “**Listing Condition**”) and (iii) the payment to the Sellers of certain dividends declared prior to the execution of the ALSA Agreement. The payment to the Sellers of these dividends took place shortly after the execution of the ALSA Agreement and the transaction was cleared by the Spanish competition authorities on 29 November 2005. On 30 November 2005 National Express and the Sellers executed a Spanish Notarial Deed of transfer of the ALSA Shares subject only to the fulfilment of the Listing Condition. The Listing Condition was fulfilled on 1 December 2005 and the transaction was completed. On that date National Express paid to the Sellers €218,218,626 as Cash Consideration, the Consideration Shares (13,503,600 Ordinary Shares of National Express, then valued at €176,263,733) were delivered to one of the Sellers and the acquisition of the ALSA Shares (and consequently, of the ALSA group) by National Express was consummated.

The ALSA Agreement contains a number of representations and warranties given by the Sellers in favour of National Express, of which only those related to tax, social security and environmental matters remain in force. The Sellers shall only be liable in respect of claims which individually exceed €75,000, provided that the aggregate of claims exceeds €5 million. The Sellers shall be liable for the total amount of such claims in excess of that amount. The total liability of the Sellers under the ALSA Agreement is limited to €200 million.

Relationship Agreement

Pursuant to the terms of the ALSA Agreement described above, on 11 October 2005, National Express and European Express Enterprises Limited (“**EEEL**”) (one of the Sellers under the ALSA Agreement) entered into an agreement in order to regulate the relationship between them (the “**Relationship Agreement**”). The Relationship Agreement is governed by English law.

For so long as EEEL and its related persons are the holder of the lesser of (i) the Consideration Shares issued to EEEL under the ALSA Agreement (or such equivalent number of Ordinary Shares following an adjustment to the share capital of National Express) and (ii) 8 per cent. of the Ordinary Shares, it shall have the right to appoint (and remove and re-appoint) one Non-Executive Director to the Board (the “**EEEL Director**”). EEEL has undertaken to consult National Express as to the identity of any proposed EEEL Director and will only propose members of the Cosmen family who have senior management experience in the transport sector. The current EEEL Director is Jorge Cosmen.

EEEL shall cease to be entitled to appoint an EEEL Director if EEEL, together with its related persons, is interested in less than the lesser of the number of Ordinary Shares as set out in (i) and (ii) above, and on the occurrence of such an event, EEEL shall procure that the EEEL Director already appointed, if any, shall resign and waive any claims for compensation for loss of office.

Pursuant to the Relationship Agreement EEEL has undertaken to do everything in its power to procure that the EEEL Director will not vote on, or participate in any discussion at a meeting in relation to, any matter in respect of which there is a conflict between the interests of EEEL and/or any of its related persons and any member of the Group. Furthermore, EEEL for itself and on behalf of its related persons has agreed that, except in certain situations specified in the Relationship Agreement, it and its related persons will not at any time acquire or dispose of any securities of National Express without first consulting a reputable investment bank in London.

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