

# centrica

## BASE PROSPECTUS

# CENTRICA plc

(incorporated in England and Wales with limited liability under registered number 3033654)

## U.S.\$8,000,000,000

## Euro Medium Term Note Programme

Under this U.S.\$8,000,000,000 Euro Medium Term Note Programme (the **Programme**), Centrica plc (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$8,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Overview of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".**

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The London Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in a final terms document (the **Final Terms**) which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange. Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Issuer has been assigned a long-term debt credit rating of A3 (stable outlook) and a short-term debt credit rating of P-2 (stable outlook) by Moody's Investors Service Ltd (**Moody's**) and a long term debt credit rating of A- (stable outlook) and a short term debt credit rating of A-2 (stable outlook) by Standard & Poor's Credit Market Services Europe Limited (**Standard & Poor's**). The Programme has been rated A3 (long-term) and P-2 (short-term) by Moody's and A- (long-term) and A-2 (short-term) by Standard & Poor's. Each of Moody's and Standard & Poor's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The Issuer may agree with any Dealer and The Law Debenture Trust Corporation p.l.c. (the **Trustee**) as trustee for the holders of the Notes that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event, in the case of listed Notes, a new prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

### Arranger

The Royal Bank of Scotland

Dealers

Barclays  
BofA Merrill Lynch  
Deutsche Bank  
J.P. Morgan Cazenove  
RBC Capital Markets

BNP PARIBAS  
Citigroup  
HSBC  
Mitsubishi UFJ Securities  
The Royal Bank of Scotland

The date of this Base Prospectus is 26 September, 2012.

## IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the *Prospectus Directive*).

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. 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.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated in and form part of this Base Prospectus.

The Trustee and the Dealers make no representation, warranty or undertaking, express or implied, and no responsibility or liability is accepted by the Trustee or the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. Neither the Trustee nor any Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Trustee or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation of the Issuer and/or the Notes, or (ii) should be considered as a recommendation by the Issuer, the Trustee or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Trustee or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Trustee and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

## IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Trustee and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Trustee or the Dealers which is intended to 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. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States and the European Economic Area (including the United Kingdom), see "*Subscription and Sale*" below.

This Base Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a *Relevant Member State*) must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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

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

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.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the *Securities Act*) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*" below).

#### PRESENTATION OF INFORMATION

In this Base Prospectus, all references to:

- *U.S. dollars*, *U.S.\$* and *\$* refer to United States dollars;
- *C\$* refer to Canadian dollars;
- *Sterling* and *£* refer to pounds sterling; and
- *euro* and *€* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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## STABILISATION

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

## OVERVIEW OF THE PROGRAMME

***The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only, a new prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.***

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" below shall have the same meanings in this Overview.

<b>Issuer:</b>	Centrica plc
<b>Description:</b>	Euro Medium Term Note Programme
<b>Arranger:</b>	The Royal Bank of Scotland plc
<b>Dealers:</b>	Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Deutsche Bank AG, London Branch HSBC Bank plc J.P. Morgan Securities plc Merrill Lynch International Mitsubishi UFJ Securities International plc RBC Europe Limited The Royal Bank of Scotland plc  and any other Dealers appointed in accordance with the Programme Agreement.
<b>Risk Factors:</b>	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under " <i>Risk Factors</i> ". In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under " <i>Risk Factors</i> " and include certain risks relating to the structure of particular Series of Notes and certain market risks.
<b>Certain Restrictions:</b>	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale</i> " below) including the following restrictions applicable at the date of this Base Prospectus.  <b>Notes having a maturity of less than one year</b>  Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 ( <b>FSMA</b> ) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see " <i>Subscription and Sale</i> " below.
<b>Trustee:</b>	The Law Debenture Trust Corporation p.l.c.
<b>Principal Paying Agent:</b>	HSBC Bank plc
<b>Registrar:</b>	Such person as shall be appointed as registrar by the Issuer prior to the issue of Registered Notes or Exchangeable Bearer Notes (as defined below) of any Series in accordance with the Agency Agreement.

- Programme Size:** Up to U.S.\$8,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
- Distribution:** Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
- Currencies:** Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
- Maturities:** The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency (as indicated in the Final Terms).
- Issue Price:** Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
- Form of Notes:** The Notes will be issued in bearer or registered form as described in the applicable Final Terms. Notes may be issued in bearer form only (**Bearer Notes**), in bearer form exchangeable for Registered Notes (**Exchangeable Bearer Notes**) or in registered form only (**Registered Notes**).
- Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a Temporary Global Note (as defined below) if (i) definitive Notes are to be made available to Noteholders (as defined below) following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "*Overview of the Programme – United States Selling Restrictions*" below), otherwise such Tranche will be represented by a Permanent Global Note (as defined below). Registered Notes will be represented either (i) in certificated form (**certificated Registered Notes**) or (ii) in uncertificated form (**uncertificated Registered Notes**) comprising those Registered Notes which for the time being are uncertificated units of a security in accordance with the Uncertificated Securities Regulations 2001 (the **Uncertificated Securities Regulations**). Certificated Registered Notes will be represented by Certificates (as defined below), one Certificate being issued in respect of each Noteholder's entire holding of certificated Registered Notes of one Series.
- Initial Delivery of Notes:** On or before the issue date for each Tranche, the Global Note representing Bearer Notes or Exchangeable Bearer Notes may be deposited with a common depositary for, or a common safekeeper for, Euroclear (as defined below) and Clearstream, Luxembourg (as defined below). Global Notes may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Trustee, the Principal Paying Agent (as defined below) and the relevant Dealer.
- Fixed Rate Notes:** Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and, on redemption, will be calculated on the basis of such Day Count Fraction (as defined below) as may be agreed between the Issuer and the relevant Dealer.

- Floating Rate Notes:** Floating Rate Notes will bear interest at a rate determined:
- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
  - (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
  - (c) on such other basis as may be agreed between the Issuer and the relevant Dealer.
- The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.
- Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.
- Interest on Floating Rate Notes in respect of each Interest Period (as defined below), as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates (as defined below), and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
- Zero Coupon Notes:** Zero Coupon Notes may be offered and sold at a discount to their nominal amount and will not bear interest.
- Redemption:** The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.
- Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see "*Certain Restrictions: Notes having a maturity of less than one year*" above.
- Denomination of Notes:** Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions: Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
- Taxation:** All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
- Negative Pledge:** The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
- Cross Default:** The terms of the Notes will contain a cross default provision as further described in Condition 10.



- Status of the Notes:** The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
- Rating:** The Programme has been rated A3 (long-term) and P-2 (short-term) by Moody's and A- (long-term) and A-2 (short-term) by Standard & Poor's. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
- Listing:** Application has been made for Notes issued under the Programme to be listed on the London Stock Exchange.
- Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.
- The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
- Governing Law:** The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
- Selling Restrictions:** There are restrictions on the offer, sale and transfer of the Notes in the United States and the European Economic Area (including the United Kingdom) and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*" below.
- United States Selling Restrictions:** The Issuer is a Category 2 issuer for the purposes of Regulation S under the Securities Act.
- The Notes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (the **D Rules**) unless (i) the applicable Final Terms states that Notes are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (the **C Rules**) or (ii) the Notes are issued other than in circumstances in which the Note will not constitute **registration required obligations** under the United States Tax Equity and Fiscal Responsibility Act of 1982 (**TEFRA**), which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable.

## RISK FACTORS

*In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Prospectus a number of factors which could materially adversely affect its business and ability to make payments due under the Notes. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are described below.*

*Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME**

#### ***The Issuer and all its subsidiary undertakings (together the Group) may be affected by global economic conditions***

The Group continues to pursue a range of investment options across the energy value chain, and in different geographies, to both deepen the Group's customer relationships and secure the Group's future energy requirements; however, the Group faces an increasingly uncertain environment shaped by a number of key challenges. The operating and financial performance of the Group is influenced by the economic conditions of the countries and markets in which it operates, particularly the UK and North America. Pressure from rising wholesale prices, increased levels of competition, and recessionary impacts all contribute to making market conditions very challenging. Uncertainty remains as to the extent and timing of any recovery, and the UK remains in a "double-dip" recession with the deepening Eurozone crisis expected to mean a slow and gradual recovery, which could lead to a reduction of income for the Group.

Strategic issues, including capital investment in mergers, acquisitions, disposals, market positioning, climate change, sustainable development, and new technologies, are all affected by global economic conditions. Any of these issues could adversely affect the Group's financial position, market position, or reputation.

#### ***The Group is exposed to movement in commodity prices***

A significant proportion of the Group's profitability is dependent upon its ability to manage the exposure to wholesale commodity prices for gas, oil, coal, carbon and power, all of which have been volatile in recent years. The price of gas in the UK market is particularly important given that the Group produces less gas from the resources it owns than it requires to meet the demand from the large retail gas market it serves, and from its existing fleet of gas-fired power stations.

Uncertain levels of demand that are subject to seasonal variations and, in the short to medium term, economic conditions both in Europe and globally, make it difficult to forecast future energy demand, leading to significant uncertainties around commodity prices. In a volatile price environment, there is a risk that surplus commodity positions cannot be sold to the wholesale markets profitably and that any commodity short position cannot be covered at a cost that can be passed on to customers.

Longer-term price increases or decreases may require the Group to change the price at which it sells to its customers on variable tariffs. The Group may not be able to pass through all increases in commodity prices to its customers immediately or at all, which could have a material adverse effect on its business, results of operations, and overall financial condition. Where the Group does pass increased commodity prices through to its customers, or fails to pass on decreased commodity prices, those customers may seek to switch to competitors which could have a material adverse effect on the Group's reputation, business, results of operations, and overall financial condition. In the UK, significant adverse publicity associated with rising prices could increase the likelihood of government or regulatory intervention, lead to a referral to the competition authorities, and damage public trust in the business.

In addition, strategic investment decisions (particularly in respect of upstream assets) are based upon evaluations underpinned by forecasts of longer-term commodity price development. Significant

decreases in wholesale prices could also result in a loss of value in the event they fall significantly from levels prevailing at the time of any asset acquisition.

***The Group is exposed to falling residential energy consumption in the UK***

The UK Government sees both residential and business energy efficiency as a key part of meeting its carbon targets. UK energy consumption has been falling since 2005, driven by improved energy efficiency, new boiler installations, and changing customer behaviour as a result of greater environmental awareness; reaction to past price increases; long term weather patterns, and the general economic downturn. In the UK, gas demand is forecast to continue declining over the next decade with the emergence of smart technology, with electricity demand reducing by a smaller amount or remaining flat. The actual outcome for long-term gas demand will be significantly affected by the impact of Government decisions about market structures, climate change initiatives, and industry decisions around the generation mix. With industry churn on a downward trajectory, according to 2012 Department of Energy and Climate Change (**DECC**) data, and in an environment where price differentials may narrow, trust and services become more important levers for retention of the customer base. It is not certain what impact a renewed focus on trust and services will have on the Group's overall financial condition. The Group also needs to grow demand for its services products (including microgeneration, insulation and smart metering) to offset the reduced sales of gas and electricity to residential customers, which would have a significant impact on the Group's revenues and profits over the next decade, and this strategy is not guaranteed to provide a return on investment.

***The Group's business activities and sales may be affected by environmental factors, changing customer behaviour and the emergence of new technologies***

Gas sales volumes and, to a lesser extent, electricity sales volumes, are affected by temperature and other environmental factors, which may have an adverse impact on the Group's business, results of operations, and overall financial condition.

With the increasing recognition of the economic and environmental impact of global climate change, the Group's future operations will be shaped by its commitment to support, and regulatory requirements necessitating a move towards, a low-carbon economy which may present significant additional risks. For example, the need to comply with new and changing regulation, including European Union directives on emissions trading, renewable energy, energy efficiency, and carbon capture and storage, may lead to higher operational costs, increased capital investment, and operational constraints for certain of the Group's activities and assets. In addition, the ineffective or incomplete implementation of this new legislation may have adverse consequences for the viability of investment in new technologies and the development of new assets. There is also a risk that Government measures do not adequately facilitate, incentivise and/or provide a commercial rate of return for investments made in a low carbon economy.

In the medium term, the retail energy business is entering the digital age, increasing the value of customer data and widening the range of virtual interaction with customers through the emergence of new technologies, such as micro combined heat and power units, smart metering, and smart grids which could also affect gas and electricity demand and therefore the Group's earnings, via energy related services such as energy efficiency, microgeneration, and energy management/automation. New technology allows non-energy, web-based firms to access customer energy consumption data, with or without the agreement of energy suppliers. This new data may not simply be used for billing, but also to provide the customer with advice, new products, and new services. The Group cannot be certain that its future operations and strategy will successfully mitigate against the risks presented, or enable the Group to take advantage of opportunities that may present themselves.

The Group is also currently subject to certain Government-enforced obligations, to promote greater energy efficiency use by its customers, including smart meter installation. Failure by the Group to comply with these obligations or adapt to further regulation, and changing customer demands and behaviour as a result of global climate change, and increased awareness of the environmental impact of energy use, may have a material adverse effect on the Group's reputation, business, results of operations, and overall financial condition.

***The Group operates in competitive markets***

There is strong competition worldwide, both within the energy industry and within other industries, to supply energy to the business and residential energy markets.

The Group operates in retail energy supply markets in the UK and North America that are highly competitive, with suppliers pricing aggressively in order to build market share, and where customers switch suppliers based on price, product, and service levels, as well as competitor activity. The retail energy environment is highly competitive across residential and business energy as well as energy services, including new business areas. The Group also operates in the competitive home service markets in both the UK and North America. In the UK, competitive pressures are increasing as existing energy and other service providers, such as insurance companies, supermarkets, and other large retail companies have entered the services market and seek to strengthen their positions. In addition it is expected that non-traditional energy players will emerge, further increasing competition. In North America, the economic environment is also making sales more difficult in the new home construction, home warranty and protection plan, and the Heating, Ventilation, and Air Conditioning (**HVAC**) replacement businesses.

The current macro economic environment has decreased disposable income and reduced consumer confidence. This results in discretionary spend being reduced leading to increased turnover in services.

Failure to sustain competitive cost and service levels will affect market share, and challenge the Group's ability to deliver sustainable operating margins and attain its growth aspirations.

In the Exploration & Production business, the Group faces competition from both international and state run energy companies for obtaining exploration and development rights, particularly outside of the UK, and in developing and applying new technology to maximise hydrocarbon recovery. If the Group fails to obtain new exploration and development acreage or to apply and develop new technology, the Group's growth prospects and future results of operations and cash flows may be adversely affected. The current trend of the industry towards a reduction of the number of operators through takeovers or mergers may lead to stronger competition from operators with greater financial resources and a wider portfolio of development projects.

There can be no certainty that the Group will retain or develop a competitive position within the markets in which it operates, which could have a material adverse effect on its business, results of operations, and overall financial condition.

***Damage to corporate reputation and brand perception or loss of rights to use trademarks and logos could affect the Group's competitive position***

Failure to follow the Group's global business principles of operating professionally, fairly and with integrity could harm the Group's reputation, damage its consumer brands and affect its business, results of operations and overall financial condition.

The Group must also actively manage its reputation with a number of different stakeholders including customers, investors, opinion-formers, employees, the media, Government, other political parties and regulatory and trade union bodies. A failure to do so could undermine trust in the Group, lead to increased regulatory intervention and have an adverse impact on the business and its profitability.

As part of the demerger in 1997, BG Group plc (which is a separately listed company and not a part of the Group) assigned ownership of the British Gas trademarks and related logos to the Issuer for use in Great Britain. BG Group plc has the right to call for a reassignment of this intellectual property if control of the Issuer is acquired by a third party. If, as a result of a change of control, the Group is unable to continue to use the British Gas trademarks and logos, this could adversely affect its competitive position. Such damage to corporate reputation or brand perception could have a material adverse effect on the Group's reputation, business, results of operations and overall financial condition.

***The Group may fail to provide good quality customer service levels***

The delivery of good quality customer service is central to the Group's business strategy and there is a risk that customers will leave if they experience unacceptable customer service levels, or perceive that the Group is failing to maintain service quality. Any failure to maintain good quality customer service levels could have a material adverse effect on the Group's reputation, business, results of operations, and overall financial condition; as well as the risk of increased regulatory scrutiny which could result in fines from the appropriate body.

### ***The Group's business is subject to regulation and political oversight***

Political and regulatory developments affecting the energy markets within which the Group operates may have a material adverse effect on its business, results of operations, overall financial condition, and ability to meet long term growth aspirations.

Energy markets in the UK, North America, and mainland Europe are closely regulated, and as such, significant changes to the legal or regulatory framework of these markets could have an impact on the Group's ability to achieve its financial goals. Legislators have the power to amend primary or secondary legislation and operating licences including changes to the fiscal regime. Regulatory bodies have the power to amend licences, conduct investigations into companies' operations, and issue fines and enforcement notices. Any changes in regulations or legislation could increase the risk of non-compliance with regulators, who are increasingly taking a zero tolerance approach to this issue. The 2011 announcement of proposals prepared by the Office of the Gas and Electricity Markets (**Ofgem**), following their Retail Market Review (**RMR**), underlined a growing pressure to increase regulation of energy suppliers through fundamental changes to the domestic energy market. This has been reflected in Ofgem escalating their focus on enforcement activity. The proposals in the RMR could impact on the way the Group structures retail tariffs. The current levels of distrust in energy companies serves further to heighten the level of scrutiny from regulatory bodies, and other key stakeholders, including the UK Government and consumer groups, as well as the level of public attention directed towards compliance matters in large corporate organisations in general. In North America, regulatory approaches to competition vary by jurisdiction and regulator, for example, the Ontario regulatory regime continues to be challenging with restrictive legislation relating to door to door energy sales. Changes to the retail supply and wholesale industry procedures could have an impact on the Group's operating costs. Material increases in the regulated charges which the Group pays for use of transmission, distribution, network price controls, and other infrastructure may also impact the Group's margins, to the extent that any such increases cannot be passed on to its customers.

A significant amount of new investment in the UK's energy infrastructure is required to meet Government targets to reduce greenhouse gas emissions, to ensure that the Group's future electricity supply is secure, low carbon, and affordable. Key elements of this are set out in the Electricity Market Reform (**EMR**) draft energy bill 2012. The Group is reliant on the EMR to put into place the institutional and market arrangements to deliver the scale of change required to meet the UK's carbon targets.

The central counter party (**CCP**) clearing and exchange trading for all over the counter (**OTC**) derivatives (including commodities and foreign exchange rates) regulation being implemented over 2012 by the European Commission (**EC**), through European Markets and Infrastructure Regulation (**EMIR**), and the United States, through the Dodd-Frank Wall Street Reform and Consumer Protection Act (the **Dodd-Frank Act**) beginning in the first quarter of 2013, may require certain OTC derivatives be submitted to central clearing. In addition, the proposals from the EC legislative review of the Markets in Financial Instruments Directive (**MiFID**), and the implementation of the Dodd-Frank Act, will determine whether the Group and/or the North American interests are treated as an affected financial entity, thereby increasing capital requirements and mandating certain OTC derivatives undertake central clearing. The new MiFID proposal (published on 20 October, 2011) proposes to remove the Group's beneficial generic exemption for commodity derivatives trading; however, it proposes to retain an exemption based on recognising the importance of trading as an ancillary activity to the Group's main business. The MiFID proposals set out two criteria for deciding whether this condition is met: the extent to which the trading activity reduces the commercial risk generated by the main business, and the amount of capital employed by the trading activity. This gives some confidence that at least the bulk of the Group's trading and hedging will be able to remain exempt from MiFID; however, this is only the start of the European Union (**EU**) legislative process for the new MiFID proposals, and its impact on the Group is still uncertain. The Group will only get more clarity when the European Securities and Markets Authority (**ESMA**) and the EC develop technical standards for the implementation of EMIR (which is expected in Q4 2012); as well as when the European Parliament and the European Council finalise the rules for MiFID (which is expected in Q2 2013).

In the United States, the Dodd-Frank Act is being implemented through published rulemakings. This has been ongoing since Q3 2011 and is forecasted to conclude by the end of 2013. Note that key elements of EU and U.S. legislative changes aim to fulfil G20 political commitments; however, issues pertaining to extraterritoriality and cross border jurisdiction continue to delay this process.

If the Group underwent central clearing of OTC derivatives and was subject to enhanced capital requirements (including from the Capital Requirements Directive, scheduled post 2014) this may impact the Group's business, results of operations, and overall financial condition.

There are also other routes through which MiFID could increase cash and collateral requirements. For instance, the EC will reserve the right to require certain instruments, deemed to be sufficiently liquid, to be traded on designated platforms. This might further increase transaction costs, and cash and collateral requirements for market participants, also potentially leading to reduced liquidity.

Finally, there remains a risk, as evidenced in the 2011 UK budget, that the Group's operations could be adversely affected by the introduction of changes to fiscal regimes as Governments seek to address their budget imbalances.

#### ***Lack of investment in or development of operational assets***

Continual investment is required to maintain and improve the condition of, and to address operational issues that arise in relation to, the Group's upstream assets. Such investment therefore affects the operational life and the output achievable from these assets.

Capital upstream projects are exposed to the risk of potential build quality issues, as well as cost and timetable overruns, and Health, Safety and Environment (**HSE**) failures. The complexity and inherent risk of the current project pipeline suggests an increasing risk profile caused by a number of potential issues including the complexity of project interfaces, the pioneering nature of technology and construction techniques, hostile operating environments, dependency on joint venture partners and key contractors, and capability shortfalls.

Timing delays and cost overruns could reduce project net profit value (**NPV**), and damage relationships with partners, investors, and regulators. In addition, the Group may decide not to continue with certain investments or developments because the anticipated risks are too severe.

The level of investment is dependent on sufficient cash resources and business cases being available for this purpose, and those resources being directed to the most appropriate use. A lack of investment, or failure to direct investment as required, may reduce the output from, and resale value of, assets. If the output/resale value is reduced this would adversely affect the Group's business, results of operations, and overall financial condition.

#### ***The Group is subject to extensive HSE risks and regulations***

The Group manages significant HSE hazards associated with the operation of onshore and offshore gas production, exploration, transportation, gas storage & supply, and power generation assets.

The four principal categories of HSE risks associated with our operations are:

- (i) a major incident at a high-hazard facility resulting in multiple fatalities and injuries;
- (ii) a major incident which results in significant environmental damage;
- (iii) an incident which results in a fatality or major injury to a member of the public; and
- (iv) an incident that causes a significant number of employee injuries or an employee fatality.

Any of these types of incidents could result in widespread distress and harm, as well as significant disruption to operations and damage to the Group's reputation. In turn, resultant legal action could have an indirect financial impact. Certain events, including those arising as a result of third-party acts, such as acts of terrorism or war, are not within the Group's control; however, there is a greater expectation on companies to accept responsibility for the actions of the third parties they employ.

Although ultimate responsibility for the safe operation of nuclear plants remains with Electricité de France Energy, Nuclear Generation Group Limited (**ENGGL**), the Group is also exposed to the scope of the hazards associated with the nuclear power generation industry, both in relation to the existing ENGGL nuclear fleet, of eight nuclear power stations in the UK, and any new nuclear power stations built in conjunction with Electricité de France S.A. (**EDF**), the Group's joint venture partner.

The management of the Group's operational assets is subject to various environmental, health and safety, economic and competition laws and regulations governing, among other things: (a) the development and operation of high hazard facilities and associated process safety requirements; (b) the generation, storage, handling, release, use, disposal, and transportation of hazardous materials; (c) decommissioning and decontamination of its facilities; (d) the health and safety of the public and its employees; (e) the generation of electricity; and (f) trading activities. Complying with these regulations or changes to these

regulations could significantly impact the cost of managing the Group's operational assets, and may make it uneconomic to continue managing certain of its operational assets.

Environmental and safety permits are required to be obtained from various governmental authorities in order to manage the Group's operational assets. Certain permits require periodic renewal or review of their conditions, and it cannot be predicted whether it will be possible to renew such permits or whether material changes in permit conditions will be imposed. While the nature of developments in environmental regulation and control cannot be predicted, it is anticipated that the direction of future changes will be towards stricter controls.

In addition, the Group's service engineers in the UK and North America complete more than 12.5 million home visits each year to carry out essential work on gas and electrical installations, appliance maintenance, and plumbing and drain services. Home visits present potential health and safety risks to our staff and our customers, as well as reputation risks, due to the work taking place in customer homes which are harder for the Group to control and manage.

Significant HSE events, precautionary closures, suspension of activities, or breach of applicable HSE regulations could affect the safety of individuals, gas and/or power production (including the premature closure of operational assets), result in liabilities, be the subject of litigation, or lead to a loss of production/service which, in turn, could have a material adverse effect on the Group's reputation, business, results of operations, and overall financial condition.

Insurance proceeds may not be adequate to cover all liabilities incurred, lost revenue or increased expenses resulting from the hazardous upstream operations.

***The Group is exposed to risks associated with the existing ENGGL nuclear fleet and new nuclear build, as well as the risks associated with the nature of the Issuer's investment therein***

Although the Group will not operate any of the existing or future nuclear facilities, as this remains the responsibility of EDF, the Group's investment in the existing fleet of ENGGL nuclear power stations (Lake Acquisitions Limited) operated by EDF exposes it to the risks associated with the nuclear industry (including the fleet's operational life, planned and unplanned outages, and operational costs) and the impact of nuclear regulation (including health, safety, and environmental regulation relating to the operation of nuclear power stations). The existing nuclear fleet is ageing with all reactors but Sizewell B having already been granted life extensions. The Group is exposed to potential losses in production due to the fleet's stage in life, and this could be further exacerbated by unforeseen plant closures.

Additionally, the Group currently holds an interest of 20 per cent. in a joint venture with EDF (NNB Holding Company Limited) to pursue a planned programme to build up to four new nuclear power stations (the **British Energy Transaction**) in the UK and has committed to undertake the pre development activities for a planned nuclear new build programme with the intention of constructing, operating, and decommissioning four European Pressurised Reactors. The Group is committed to fund its share of project pre-development costs up to a maximum of £200 million, and may opt to fund costs beyond this limit. The Group has the right to opt out or reduce its interest in the joint venture at the final investment decision date, currently targeted for the end of 2012. A number of key planning and consenting issues, consultations and environmental impact assessments, design detail and economic impacts, Governmental appetite/confidence and key stakeholder attitudes could either significantly delay or even prevent the construction of new nuclear facilities. If the Group elects to maintain its interest in the joint venture this would involve substantial financial commitments and increase the threat of a potential credit ratings downgrade, without any guarantee that the power stations would be completed or become operational. The Issuer would only begin to realise returns on these investments when the reactors become operational and returns could be dependent on the future price of electricity and commodities, unless contract for difference arrangements set a fixed strike price for the duration of the fleet's life, thereby removing the dependency on electricity pricing. The developers of new nuclear facilities will also be responsible for the cost of decommissioning such facilities, and must set aside sufficient funds to cover waste disposal costs incurred by the Government (as further described below).

The Group has a minority interest in Lake Acquisitions Limited and NNB Holding Company Limited. Although the Group will enjoy certain veto rights over certain decisions to be taken by Lake Acquisitions Limited or NNB Holding Company Limited (or their respective affiliates) and the nuclear new build joint venture, EDF will have majority management control of such entities. If the Issuer disagrees with EDF's management, it will have limited rights to dispute and seek compensation in relation to such decisions.

The environment for existing and new UK nuclear capacity has altered following the 2011 incident at the Fukushima Dai-ichi Nuclear Power Station, Japan. Additional checks, post-Fukushima, vetting plant design and ensuring sound management after an accident introduced further delays on the future programme of events.

As no new nuclear build has existed within the UK for around 15 years, a re-establishment of the supply chain in the UK is required. This re-emergence could impact on the risks faced to project timelines and budget(s).

Operational problems may result in reduced dividends from the joint venture and imbalance charges to the Group. Although the Group has the right to recover any additional funds invested, should the business case for new build not support investment, withdrawal from the joint venture would result in the initial commitment of pre-development costs invested and any attributed value to new build being written off the Group's balance sheet.

***The Group is engaged in upstream and nuclear power generation operations which are inherently susceptible to uncertain decommissioning costs***

In addition to the risks associated with the Group's upstream operations during the life of oil, gas, and storage fields, the Group incurs liabilities and costs associated with the decommissioning of such fields at the end of their lives. The amount and timing of payments for future decommissioning costs and waste management costs are uncertain and dependent on the lives of the facilities, which are also uncertain.

The decommissioning of such fields is also regulated by law. In the UK, Government may require the owners of offshore installations and pipelines to provide security or enter into a decommissioning security agreement. Changes in law imposed by the Energy Act 2008 (the **Energy Act**) may result in increased decommissioning liabilities since the Secretary of State is now entitled to make all relevant parties liable for the decommissioning of an installation or pipeline, and may require financial information and decommissioning security at any time during the life of an oil or gas field. This could result in increased costs for owners of offshore installations and pipelines. Decommissioning costs could exceed the Group's estimated costs and it may be required to provide greater security for decommissioning costs than expected, which could have a material adverse effect on its business, results of operations, and overall financial condition.

The existing ENGGL nuclear fleet will, following closure of the power stations, give rise to decommissioning costs. Certain of ENGGL's nuclear liabilities will be paid for from the Nuclear Liabilities Fund which is underwritten by the Government. There is a risk that a breach of minimum performance standards may result in the creation of disqualified liabilities which would not be funded by the Nuclear Liabilities Fund and would fall to ENGGL to discharge.

Any nuclear new build projects developed by NNB Holding Company Limited will be subject to the provisions of the Energy Act. These require developers of new nuclear power stations to ensure they have adequate funding to meet the full costs of decommissioning and their full share of waste management costs. Such costs are not always predictable and may substantially increase, and the Group may be required to provide greater security for decommissioning costs, proportionate to its investment in nuclear new build projects, than currently expected. Under the Energy Act, Government may impose obligations on a shareholder in NNB Holding Company Limited which arise out of the funded decommissioning programmes and the Group has agreed with EDF that they will share such liability in proportion to their respective shareholdings in NNB Holding Company Limited. Note that negotiations are ongoing with the UK Government, ahead of the final investment decision date, which could result in the above risks being mitigated or removed from a Group viewpoint.

***The Group's business relies on the security of supply of gas and any break in supply to customers will impact earnings***

As UK gas reserves have declined, the UK energy market has become increasingly reliant on supplies from Norway and other parts of mainland Europe, together with liquefied natural gas supplies from other parts of the world. Accordingly, key elements of security of supply are access to these reserves and the reliability of the storage, pipeline, and gas processing infrastructure operated by the Group and third parties both in the UK and abroad. Any break in this supply chain could jeopardise the supply to customers and impact the Group's earnings. The Group owns a variety of gas and power assets in the UK and overseas and its profitability would be adversely impacted if there were to be long-term outages associated with those assets.



The Group depends on third-party supply and cannot guarantee the security of the supply chains. There is a risk of terrorist activity, including acts and threats to the energy sector which may include sabotage or cyber attack, of power stations or pipelines, which could in turn affect security of supply or cause a break in supply of gas to customers. Any failure to supply gas to customers could have a material adverse impact on the Group's business, results of operations, and overall financial condition.

***The Group depends on the performance of third parties for certain contracts which have been outsourced***

The Group has entered into a number of outsourcing contracts, some of which are for offshore operations, in respect of certain support functions for its businesses in the UK and North America, including business-critical information technology services and back office and processing functions. In addition, as noted above, third party infrastructure will continue to be relied upon by a number of our assets. As with any contractual relationship, there are inherent risks to be considered and mitigated. There can be no guarantee that the chosen suppliers will be able to provide the support functions for which they have contracted, and therefore that the anticipated benefits will be delivered. Any failure of the counterparties to deliver the contracted goods or services could have a material adverse effect on the Group's business, reputation, results of operations, and overall financial condition.

***Interruptions to information systems or failure to protect customers' confidential information could impact the Group's reputation and day-to-day operations***

Effective and secure information systems are essential for the efficient management and accurate billing of the Group's customers, effective power generation, and successful energy trading and hedging activities. The confidentiality, integrity, and availability of the Group's information systems could be affected by a number of factors, including human error, ineffective design or operation of key controls, malfunction, damage, malicious intent, or deliberate attack. There can be no certainty that recovery plans and contingency plans will be effective in all possible scenarios. Outages and interruptions could affect the Group's ability to conduct day-to-day operations.

The Group must comply with restrictions on the use of customer data, and provide for secure transmission of confidential information to ensure the security of financial and personal data passing over public networks. There can be no assurance that the Group's controls to ensure the confidentiality, integrity, and availability of customer and company data will effectively eliminate such risk, and the Group may breach restrictions or may be subject to attack from computer programs that attempt to penetrate the network security and misappropriate confidential information. Due to continual advancement of these programs, computing capabilities and other developments, there is no guarantee that the Group's security measures will be sufficient to prevent all possible breaches.

Significant disruption to systems, including that caused by a cyber attack, and any compromise of the confidentiality of information could have a material adverse effect on the Group's reputation, business, result of operations, overall financial condition, and may result in regulatory sanctions.

***The Group may fail to attract and retain senior management and skilled personnel***

The attraction, retention, and succession planning of senior management and individuals with key skills is a critical factor in the successful execution of the Group's strategy. This is especially relevant in highly competitive markets such as the Group's upstream business where these technical and project management skills are required to both maintain existing and build new assets. Failure to do so could compromise achievement of the Group's strategy and could have a material adverse effect on its business, results of operations, and overall financial condition.

***The Group may fail to execute change programmes and business restructuring***

The successful delivery of business change is fundamental to future success, and includes both cultural and technical transformation. As the Group grows, structures are regularly reviewed to ensure that activities are organised in the most effective and efficient way, to keep the Group's cost base as low as possible in order to offer the customer base competitive prices and products. With changes to the Group's structure there is a risk that industrial relations worsen. This primarily affects areas of the operational work force in upstream activities, and the engineers in British Gas, and could also be triggered by changes to terms & conditions, changes to pensions, and as a response to a wider climate of trade union unrest.

Furthermore, through acquisition activity there is a risk that the Group will not be able effectively to integrate the purchased assets so as to achieve expected synergies. Additionally, the delivery of technical change programmes is large and complex. There are a number of risks arising, such as: trying to deliver too much change and the resultant stretch on Group resources; that the change will be completed, however, system integrity is undermined, and business continuity threatened; that the change will cost more than estimated and/or that the planned benefits will not be realised.

***The Issuer has funding risks relating to its defined benefit pension schemes***

The Group maintains a variety of pension schemes, including defined benefit schemes. The pension fund liabilities are partially matched with a portfolio of assets, which leaves potential risk around the mortality rate, inflation, interest rates, and returns on assets. Accounting changes, applying from 2013, will reduce the profit and loss account (P&L) credit from the return on pension scheme assets. The schemes contain a high proportion of equity assets that are expected to provide a better return in the long term than alternative investments such as bonds; however, in the short term, the difference between the value of liabilities and assets may vary significantly, potentially resulting in a large deficit having to be recognised on the Group's balance sheet, alongside an increase in the P&L expense and the funding requirements (cash and possibly contingent assets). In the current business environment, with volatile bond and unstable equity markets (which continues at the date of this Base Prospectus), this could lead to significant changes in long term interest rates and inflation, long term gilt yields, corporate bond yields, equity values and credit spreads, or a material weakening of the Group's credit rating; furthermore, a quicker than expected increase in life expectancy, or employee pensionable salaries increasing above the assumed rates, or a further change in accounting standards could all lead to an increased risk that large deficits may arise in the Group's pension schemes. The pension schemes are also subject to triennial actuarial evaluation (one as at 31 March, 2012 is currently underway) and if this exercise was to identify higher deficits, this could result in additional deficit payments being made into the schemes, a further cap on increases in pensionable pay, or reducing cash contributions through the offering of asset backed security/contributions. Any requirement to put cash into these schemes to cover any such deficits could have a material adverse effect on the Group's business, results of operations, and overall financial condition.

The pension regulator continues to guide trustees to clear deficits as quickly as companies can afford. In addition, actions by the pension regulators or the trustees of the Group's pension schemes and/or any material revisions to existing pension legislation could require accelerated and increased contributions to the Group's pension funds before or concurrent with any increased return to shareholders beyond the normal dividend, which may restrict the Group's ability to carry out a share buyback. The trustees could also seek accelerated and increased contributions in the event of the Group planning to take on more leverage through acquisitions or investment which may restrict the Group's ability to carry out such transactions or investments. This could therefore have a material adverse effect on the Group's business, results of operations, and overall financial condition.

***Liquidity risk, and in particular risk relating to collateralisation obligations as a result of existing contracts, is inherent in the Group's operations***

Liquidity risk is the risk that the Group is unable to meet its obligations as they fall due. Managing liquidity risk is particularly important in the current economic environment where the financial markets are volatile and the availability of capital is uncertain.

The liquidity risk within the Group is increased by the margin cash arrangements that it has with certain wholesale commodity contracts. As the Group is a net purchaser of commodities, this means that it is generally required to deposit cash as collateral with margin counterparties when wholesale prices fall. Cash forecasts identifying the liquidity requirements are produced at least monthly and these are assessed for different scenarios, including the liability impact of significant changes in commodity prices or a credit rating downgrade, however, the Group's ability to access liquidity during periods of liquidity stress may be constrained as a result of current and future market conditions. A reduction of the Group's liquidity could have a material adverse effect on its business, results of operations, and overall financial condition.

***The Group's business may be affected by the default of counterparties owing it money***

As a consequence of its normal operations, the Group often has significant amounts owed to it by its energy counterparties, and its retail and wholesale customers. In addition, it often holds large cash balances on deposit with financial institutions. In the current unstable business environment (which continues at the date of this Base Prospectus), there is an increased risk of a counterparty default which may, among other

things, reduce the Group's cash flows. There can be no assurance that the Group's policies to limit counterparty exposures by setting credit limits for each counterparty, where possible by reference to published credit ratings, will effectively eliminate such exposure, and any such counterparty default may have a material adverse effect on its business, results of operations, and overall financial condition.

***The Group is exposed to currency fluctuations***

Through wholly-owned subsidiaries, franchises and affinity partners in the United States and Canada, and wholly-owned and partly-owned European and Trinidadian entities and assets, the Group has operational exposure in U.S. and Canadian dollars, Norwegian Krone, euros, and Trinidadian dollars. Operational and capital expenditure cash flows may also be in currencies other than those used by the Group's subsidiaries. The Group's profitability may be adversely affected if the results and cash flows associated with these subsidiaries fall or cash outflows rise because of currency fluctuations against Sterling, the reporting currency of the Group.

It is the Group's policy to use hedging instruments to manage the impact of currency fluctuations. To the extent that any of its potential exposure remains unhedged, the value of its investments may be affected by fluctuations in currency. Adverse movements in currency rates may have a material adverse effect on its business, results of operations, and overall financial condition.

***The Group is exposed to interest rate fluctuations***

The Group is exposed to movements in interest rates which affect the amount of interest paid on borrowings and the return on its cash investments. The Group uses derivative financial instruments, such as interest rate swaps, to manage interest rate risk on long-term borrowings. To the extent that any of the Group's interest rate exposure remains unhedged, adverse movements in interest rates could have an adverse effect on its business, results of operations, and overall financial condition.

***A significant downgrade in the Issuer's credit ratings may increase its costs of funding and limit its ability to trade in commodity markets***

As a result of the current strong credit rating of the Group (long-term debt: A3 stable outlook (Moody's), A- stable outlook (Standard & Poor's); short-term debt: P-2 stable outlook (Moody's), A-2 stable outlook (Standard & Poor's)), the Group benefits from high levels of credit from its existing counterparties. Any material deterioration in the Group's credit ratings may increase its costs of funding. The Group would also need to increase its levels of security for existing energy procurement and hedging contracts which may limit its ability to trade in commodity markets and to implement its hedging strategy. The Group would also need to increase its security for decommissioning of assets. Any of these factors could have a material adverse effect on the Group's business, results of operations, and overall financial condition.

***FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME***

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

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

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

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

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

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

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

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

### **Risks related to Notes generally**

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

*The terms and conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders*

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

The terms and conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of any successor in business to the Issuer or of a Subsidiary either of the Issuer or any successor in business to the Issuer as principal debtor under any Notes in place of the Issuer or any successor in business to the Issuer, in the circumstances described in Conditions 15 and 16 of the terms and conditions of the Notes.

*The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes*

### **Withholding under the EU Savings Directive**

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

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

If a payment is made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax is withheld from that payment, neither the Issuer nor any Paying Agent (as defined in "*Terms and Conditions of the Notes*") nor any other person will be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required

to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

*The value of the Notes could be adversely affected by a change in English law or administrative practice*

The terms and conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. 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 this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

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

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

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### **Risks related to the market generally**

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

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

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

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

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

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

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

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

One or more independent credit rating agencies may assign credit ratings to the Issuer or the 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, suspended or withdrawn by its assigning rating agency at any time.

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

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the Financial Services Authority shall be incorporated in and form part of, this Base Prospectus:

- (a) the auditors' report and audited consolidated and non-consolidated annual financial statements for the financial year ended 31 December, 2011 which appear on pages 64 to 128 of the annual report for the year ended 31 December, 2011 (excluding the section entitled "Pro forma information" on page 106 thereof);
- (b) the auditors' report and audited consolidated and non-consolidated annual financial statements for the financial year ended 31 December, 2010 which appear on pages 64 to 148 of the annual report for the year ended 31 December, 2010 (excluding the section entitled "Pro forma information" on page 132 thereof);
- (c) the independent review report and unaudited interim financial statements of the Issuer for the six months ended 30 June, 2012; and
- (d) the Terms and Conditions of the Notes contained in the Base Prospectus dated 27 September, 2011 (pages 38 to 59), the Base Prospectus dated 30 September, 2010 (pages 36 to 57), the Base Prospectus dated 28 August, 2009 (pages 35 to 56), the Base Prospectus dated 26 September, 2008 (pages 33 to 54), the Base Prospectus dated 28 September, 2007 (pages 32 to 53), the Base Prospectus dated 29 September, 2006 (pages 30 to 50), the Base Prospectus dated 8 November, 2005 (pages 30 to 50), the Offering Circular dated 1 October, 2002 (pages 18 to 39) and the Offering Circular dated 7 September, 2001 (pages 19 to 40), in each case prepared by the Issuer in connection with the Programme.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall to the extent applicable (whether expressly, by implication or otherwise) be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London.

Any non-incorporated parts of a document referred to herein are either not relevant for an investor or are covered elsewhere in this Base Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

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

The Issuer has undertaken to the Dealers in the Programme Agreement (as defined in "*Subscription and Sale*" below) that it will comply with section 87G of the Financial Services and Markets Act 2000.

## FORM OF THE NOTES

### BEARER NOTES

#### Initial Issue

Each Tranche of Bearer Notes (including Exchangeable Bearer Notes) will initially be issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note** and together with a Temporary Global Note, the **Global Notes**, each a **Global Note**) which, in either case, will:

- (i) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**); and
- (ii) if the Global Notes are not intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for Euroclear and Clearstream, Luxembourg.

Any indication that the Global Notes issued in respect of any Tranche in NGN form are intended to be held in a manner which would allow Eurosystem eligibility does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Upon deposit of the Temporary Global Note(s) with the Common Safekeeper or the Common Depository, as the case may be, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed. Depositing the Global Notes with the Common Safekeeper 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.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

#### Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a Note represented by a Global Note must look solely to Euroclear and/or Clearstream, Luxembourg for its share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear and/or Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.



## Exchange

### *Temporary Global Notes*

Each Temporary Global Note will be exchangeable (free of charge to the holder) on or after the Exchange Date either:

- (i) if the applicable Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable, in whole, but not in part, for definitive Bearer Notes; or
- (ii) otherwise, in whole or in part, upon certification as to non-U.S. beneficial ownership (in a form to be provided) for interests in a Permanent Global Note or, if so provided in the applicable Final Terms, for definitive Bearer Notes or, if the Temporary Global Note is also an Exchangeable Bearer Note, certificated Registered Notes.

### *Permanent Global Notes*

Each Permanent Global Note will be exchangeable (free of charge to the holder) on or after the Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes" below, in part for:

- (a) definitive Bearer Notes with, where applicable, interest coupons and talons attached either:
  - (i) only upon the occurrence of an Exchange Event; for these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing or (ii) if the Permanent Global Note is held on behalf of Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Principal Paying Agent requesting exchange; or
  - (ii) at any time at the Issuer's request; or
- (b) if the Permanent Global Note is an Exchangeable Bearer Note, certificated Registered Notes upon the holder of an interest in such Permanent Global Note giving notice to the Principal Paying Agent of its election to exchange the whole of such Global Note for certificated Registered Notes.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

### *Partial Exchange of Permanent Global Notes*

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, if the Permanent Global Note is an Exchangeable Bearer Note, the Permanent Global Note will be exchangeable (free of charge to the holder) on or after the Exchange Date in part on one or more occasions for certificated Registered Notes upon the holder of an interest in such Permanent Global Note giving notice to the Principal Paying Agent of its election to exchange a part of such Global Note for certificated Registered Notes.

**Exchange Date** means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for certificated Registered Notes five days, after that on which notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the city in which the relevant clearing system is located.

## Legend

The following legend will appear on all Bearer Notes which have an original maturity of more than one year and on all interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

## Transfers

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

## REGISTERED NOTES

### Initial Issue

Each Tranche of Registered Notes will initially be issued in either:

- (i) uncertificated form (**uncertificated Registered Notes**), comprising Registered Notes which are for the time being uncertificated units of a security in accordance with the Uncertificated Securities Regulations 2001 (as amended from time to time); or
- (ii) certificated form (certificated Registered Notes).

Uncertificated Registered Notes will initially be credited to the subscribers' CREST accounts on the issue date thereof upon certification as to non-U.S. beneficial ownership.

Certificated Registered Notes will be represented by registered certificates (**Certificates**) and will initially be delivered to the subscribers thereof upon certification as to non-U.S. beneficial ownership. Each Certificate shall represent the entire holding of certificated Registered Notes of each Series by the same holder.

Certificates will, on issue, be delivered to the subscribers thereof upon certification as to non-U.S. beneficial ownership.

## Transfers

Title to Registered Notes will pass upon registration in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement, unless applicable law provides otherwise or provides for additional formalities for transfer of title.

## APPLICABLE FINAL TERMS

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

[Date]

### CENTRICA PLC

Issue of [Currency] [Aggregate Nominal Amount of Tranche] [Title of Notes] due [ ]  
under the U.S.\$8,000,000,000  
Euro Medium Term Note Programme

### PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated 26 September, 2012 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on [Issuer's/financial intermediaries/regulated market's/competent authority's] website.

*[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 Terms and Conditions (the **Terms and Conditions**) set forth in the [Offering Circular/Base Prospectus] dated [original date] and incorporated by reference in the Base Prospectus dated 26 September, 2012. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 26 September, 2012 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**) including the Terms and Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on [Issuer's/financial intermediaries/regulated market's/competent authority's] website.]

If the Notes have a maturity of less than one year, the minimum denomination must be £100,000 or its equivalent in any other currency.

- |    |  |   |
|----|--|---|
| 1. | Issuer:  | Centrica plc  |
| 2. | (i) Series Number:   | [ ]   |
|    | (ii) Tranche Number:   | [ ]   |
|    | (iii) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 23 below, which is expected to occur on or about [ ]]/[Not Applicable] |
| 3. | Specified Currency or Currencies:  | [ ]   |
| 4. | Aggregate Nominal Amount:  |   |
|    | (i) Series:  | [ ]   |
|    | (ii) Tranche:  | [ ]   |
| 5. | (i) Issue Price:   | [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]   |
| 6. | (i) Specified Denomination(s):   | [ ]   |

- (ii) Calculation Amount: [ ]
7. (i) Issue Date [and Interest Commencement Date]: [ ]
- (ii) Interest Commencement Date (if different from the Issue Date): [[ ]/Issue Date/Not Applicable]
8. Maturity Date: [[ ]/Interest Payment Date falling in or nearest to [ ]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
 [[*Reference Rate*] +/- [ ] per cent. Floating Rate]  
 [Zero Coupon]  
 (further particulars specified below)
10. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11. Change of Interest Basis: [[ ]/Not Applicable]
12. Put/Call Options: [General Investor Put]  
 [Change of Control Investor Put]  
 [Issuer Call]  
 [(further particulars specified below)]
13. (i) Status of the Notes: Senior
- (ii) [Date [Board] approval for issuance of Notes obtained: [ ]]

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

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (i) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount  
*(Applicable to Notes in definitive form)*
- (iv) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]]  
*(Applicable to Notes in definitive form)* [Not Applicable]
- (v) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (vi) Determination Date(s): [[ ] in each year] [Not Applicable]
15. Floating Rate Note Provisions [Applicable/Not Applicable]
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]

- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (iii) Additional Business Centre(s): [ ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined; [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [ ]
- (vi) Screen Rate Determination:
- Reference Rate and Relevant Financial Centre: Reference Rate: [ ] month [LIBOR/EURIBOR] Relevant Financial Centre: [London/Brussels/[ ]]
  - Interest Determination Date(s): [ ]
  - Relevant Screen Page: [ ]
- (vii) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (viii) Margin(s): [+/-] [ ] per cent. per annum
- (ix) Minimum Rate of Interest: [ ] per cent. per annum
- (x) Maximum Rate of Interest: [ ] per cent. per annum
- (xi) Day Count Fraction: [[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] 30E/360 (ISDA)]
16. Zero Coupon Note Provisions [Applicable/Not Applicable]
- (i) Accrual Yield: [ ] per cent. per annum
  - (ii) Reference Price: [ ]
  - (iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360] [Actual/360] [Actual/365]

## PROVISIONS RELATING TO REDEMPTION

17. Notice periods for Condition 7(b): Minimum period: [ ] days  
Maximum period: [ ] days
18. Issuer Call: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount] [Spens Amount] [Make-Whole Amount]
- (iii) Reference Bond: [[ ]/FA Selected Bond/Not Applicable]
- (iv) Quotation Time: [ ]
- (v) Redemption Margin: [[ ] per cent./Not Applicable]
- (vi) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Maximum Redemption Amount: [ ]
- (vii) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
19. General Investor Put: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount: [ ] per Calculation Amount
- (iii) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
20. Change of Control Investor Put: [Applicable/Not Applicable]
- (i) Optional Redemption Amount: [ ] per Calculation Amount
- (ii) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
21. Final Redemption Amount of each Note: [ ] per Calculation Amount
22. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes:
- (i) Form [Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]\*
- [Temporary Global Note exchangeable for [definitive Bearer Notes/certificated Registered Notes] on and after the Exchange Date]\*
- [Permanent Global Note exchangeable for

[definitive Bearer Notes/certificated Registered Notes] [on [60/5] days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]

[The Notes are Exchangeable Bearer Notes]

[Registered Notes:

[certificated]/[uncertificated] Registered Notes]

[Name and address of Registrar and Transfer Agent(s)]

[Notes shall not be physically delivered in Belgium, except to a clearing system, a depositary or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]

- (ii) New Global Note: [Yes] [No]
24. Additional Financial Centre(s): [Not Applicable/[ ]]

### THIRD PARTY INFORMATION

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

Signed on behalf of Centrica plc:

By: .....  
Duly authorised

## PART B — OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

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

### 2. RATINGS

Ratings: [The Notes to be issued [(have been)/[are expected to be]] rated [ ] by [ ].]

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

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

### 4. YIELD (*Fixed Rate Notes only*)

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.

### 5. OPERATIONAL INFORMATION

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream, Luxembourg, société anonyme and the relevant identification number(s): [Not Applicable/[ ]]
- (iv) Names and addresses of additional Paying Agent(s) (if any): [ ]
- (v) Names of Managers: [Not applicable/[ ]]
- (vi) Name of Dealer: [Not applicable/[ ]]
- (vii) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]



## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note, each definitive Note and each Certificate, in the case of definitive Notes and Certificates only if permitted by the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note or Certificate will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note, definitive Note and Certificate. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms and conditions are to apply to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes constituted by a Trust Deed (such Trust Deed as amended and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 7 September, 2001 between Centrica plc (the **Issuer**) and The Law Debenture Trust Corporation p.l.c. (the **Trustee**, which expression shall include all persons for the time being trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the **Terms and Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below.

References herein to the **Notes** shall be references to the Notes of this Series.

The Notes and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 26 September, 2012 and made between the Issuer, the Trustee and HSBC Bank plc as issuing and principal paying agent (the **Principal Paying Agent**, which expression shall include any additional or successor issuing and principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Bearer Notes (as defined below) have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes and Certificates do not have Coupons or Talons attached on issue.

Subject as provided in Condition 1, any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the bearer of the Bearer Notes and (in the case of Registered Notes) the persons in whose names the Registered Notes are registered. Any reference herein to **Couponholders** shall mean the bearers of the Coupons and shall, unless the context otherwise requires, include the bearers of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office of the Trustee, at Fifth Floor, 100 Wood Street, London EC2V 7EX, and at the specified office of each of the Principal Paying Agent, the Registrar, the other Paying Agents and the Transfer Agents (such Principal Paying Agent, Paying Agents, Transfer Agents and the Registrar being together referred to as the **Agents**). If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions

include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of any inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

In these Terms and Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## 1. Form, Denomination and Title

The Notes are in bearer form (**Bearer Notes**, which expression includes Notes that are specified to be Exchangeable Bearer Notes) or in registered form (**Registered Notes**) as specified in the applicable Final Terms and serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Bearer Notes are represented either by a note in global form (**Global Note**) or by definitive Notes in bearer form (**definitive Bearer Notes**).

All Registered Notes shall have the same Specified Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest Specified Denomination of the Exchangeable Bearer Notes.

The Registered Notes may be in uncertificated form (**uncertificated Registered Notes**), comprising Registered Notes which are for the time being uncertificated units of a security in accordance with the Uncertificated Securities Regulations 2001 (as amended from time to time) (the **Uncertificated Securities Regulations**) or in certificated form (**certificated Registered Notes**).

Certificated Registered Notes are represented by registered certificates (**Certificates**) and each Certificate shall represent the entire holding of certificated Registered Notes of each Series by the same holder.

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

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes, in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery. Title to the Registered Notes will pass upon registration in the register (the **Register**) which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (unless applicable law provides otherwise or provides for additional formalities for transfer of title) and on which shall be entered the names and addresses of the holders of Registered Notes and the particulars of the Registered Notes held by them and of all transfers of Registered Notes, distinguishing between certificated and uncertificated Registered Notes in accordance with the Uncertificated Securities Regulations.

The Issuer, the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon (or on the Certificate representing it) or notice of any previous loss or theft thereof (or of the related Certificate)) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next paragraph.

For so long as any of the Bearer Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Bearer Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Bearer Notes standing to the account of any person shall be

conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Agents as the holder of such nominal amount of such Bearer Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Bearer Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Bearer Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

## **2. Exchange of Exchangeable Bearer Notes and Exchange and Transfers of Registered Notes**

### *(a) Exchange of Exchangeable Bearer Notes*

Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same aggregate principal amount of certificated Registered Notes by submission of a duly completed request for exchange (**Exchange Request**) substantially in the form provided in the Agency Agreement, copies of which are available from the specified office of the Registrar or any Transfer Agent and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Coupons and Talons relating to it, at the specified office of any Transfer Agent. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

### *(b) Exchange and Transfers of Registered Notes*

Exchange of certificated Registered Notes for uncertificated Registered Notes and *vice versa* shall be effected in accordance with the Uncertificated Securities Regulations and the rules, practices and procedures of a relevant system (as defined below).

One or more certificated Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such certificated Registered Notes to be transferred, together with the form of transfer endorsed in such Certificate duly completed and executed and such other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of certificated Registered Notes represented by a Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.

Transfers of uncertificated Notes shall be effected by means of a relevant system.

No transfer of Registered Notes will be valid unless and until entered on the Register.

In these Terms and Conditions, **relevant system** has the meaning given to it in regulation 3 of the Uncertificated Securities Regulations.

### *(c) Exercise of Options or Partial Redemption in respect of Registered Notes*

In the case of an exercise of the Issuer's or a Noteholder's option in respect of, or a partial redemption of, a holding of certificated Registered Notes, a new Certificate, if required, shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed.

New Certificates shall only be issued against the surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of certificated Registered Notes to a holder who is already a holder of certificated Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding to the Registrar or any Transfer Agent.

### *(d) Delivery of New Certificates*

Each new Certificate to be issued pursuant to Condition 2(a) or 2(b) shall be available for delivery five business days after receipt by any Transfer Agent or the Registrar of the relevant Exchange Request or form of transfer together, if applicable, with the Certificate for exchange or transfer. Each new Certificate to be issued pursuant to Condition 2(c) shall be available for delivery from the relevant due date of redemption. Delivery of the new Certificate(s) shall be made either at the specified office of the Transfer Agent or of the

Registrar (as the case may be) to whom delivery or surrender of such Exchange Request, form of transfer, Put Notice or Certificate has been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant Exchange Request, form of transfer, Put Notice or otherwise in writing, by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), **business day** means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) *Exchange free of charge*

Exchange and transfer of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax, duty or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or Transfer Agent may reasonably require).

(f) *Closed Period*

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s):

- (i) during the period of seven days ending on the due date for redemption of that Note;
- (ii) subject as provided below, after any such Note has been called for redemption;
- (iii) during the period of seven days immediately preceding any Record Date (as defined in Condition 6(d)) and ending on (and including) the next Interest Payment Date; or
- (iv) in respect of which a Noteholder's redemption option pursuant to Condition 7(d) has been exercised.

An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more certificated Registered Notes in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

**3. Status of the Notes**

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

**4. Negative Pledge**

So long as any of the Notes remains outstanding the Issuer will ensure that no Relevant Indebtedness (as defined below) of the Issuer or any of its Principal Subsidiaries (as defined below) will be secured by any Security Interest (as defined below) upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer or any of its Principal Subsidiaries unless the Issuer shall, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, take any and all action necessary to ensure that:

- (i) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
- (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee shall in its reasonable discretion deem not materially less beneficial to the interests of the Noteholders or (B) as shall be approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three-fourths of the votes cast thereon) of the Noteholders.

For the purposes of these Terms and Conditions:

- (a) **Excluded Subsidiary** at any time means a Subsidiary of the Issuer:
- (1) (A) which is either (x) a special purpose company whose principal assets are constituted by a project or projects or (y) is incorporated and conducts its business primarily outside the United Kingdom; and
  - (B) none of whose indebtedness is directly or indirectly the subject of security or a guarantee, indemnity or any other form of assurance, undertaking or support from the Issuer or any of its Principal Subsidiaries or, where such security, guarantee or indemnity or other form of assurance, undertaking or support is provided, the liability of the Issuer and its Principal Subsidiaries thereunder is contractually limited to and cannot in any circumstances exceed at any time an amount equal to £50,000,000 or its equivalent in any other currency or currencies; and
  - (C) which has been designated as such by the Issuer by written notice to the Trustee; provided that the Issuer may give written notice to the Trustee at any time that any Excluded Subsidiary is no longer an Excluded Subsidiary, whereupon it shall cease to be an Excluded Subsidiary; or
- (2) which has a banking licence or its equivalent in any jurisdiction;
- (b) **Principal Subsidiary** means a Subsidiary of the Issuer (not being an Excluded Subsidiary):
- (1) (A) whose total assets represent not less than 20 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole; or
  - (B) whose external turnover is more than 20 per cent. of the consolidated turnover of the Issuer and its Subsidiaries,
- all as calculated by reference to the then latest audited consolidated accounts of the Issuer and the then latest audited accounts of its Subsidiaries; or
- (2) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary whereupon the transferor Subsidiary shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary shall immediately become a Principal Subsidiary but shall cease to be a Principal Subsidiary under this sub-paragraph (2) (but without prejudice to the provisions of sub-paragraph (1) above) upon publication of its next audited accounts.
- A report by the Directors of the Issuer that in their opinion a Subsidiary of the Issuer is or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;
- (c) **Relevant Indebtedness** means:
- (i) any indebtedness for or in respect of any notes, bonds or other debt securities having an original maturity of more than one year which (with the consent of the issuer of the indebtedness) are for the time being listed or traded on a stock exchange or other recognised securities market, other than any notes, bonds or other debt securities issued by an acquired Subsidiary prior to the date of the acquisition and not issued in contemplation of such acquisition; and
  - (ii) any guarantee or indemnity in respect of any such indebtedness;
- (d) **Security Interest** means any mortgage, charge, lien, pledge or other security interest, but shall not include any security interest over cash created or arising solely or principally in connection with, and for the purpose of, a defeasance arrangement; and
- (e) **Subsidiary** means a subsidiary within the meaning of Section 736 of the Companies Act 1985, as amended by Section 144 of the Companies Act 1989.

## 5. Interest

### (a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Terms and Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

- (i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

**Determination Period** means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Terms and Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, **Business Day** means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the

Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

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

(B) *Screen Rate Determination for Floating Rate Notes*

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

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

**Reference Rate** shall mean (i) LIBOR or (ii) EURIBOR, in each case for the relevant period, as specified in the applicable Final Terms.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.



(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5(b):

- (i) if "Actual/Actual (ISDA)", or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

$Y_1$  is the year, expressed as a number, in which the first day of the Interest Period falls;

$Y_2$  is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

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

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

- (vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

(v) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) *Determination or calculation by the Trustee*

If for any reason at any time the Principal Paying Agent defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with sub-paragraph 5(b)(ii) or 5(b)(iv), as the case may be, above, the Trustee shall determine the Rate of Interest at such rate plus or minus (as appropriate) the relevant Margin (if any) in its absolute discretion (having regard as it shall think fit to the foregoing provisions of this Condition 5 but subject always to sub-paragraph 5(b)(iii) above), it shall deem fair and reasonable in all the circumstances and/or, as the case may be, the Trustee shall calculate the Interest Amount in the manner referred to in sub-paragraph (iv) above and such determination and/or calculation shall be deemed to have been made by the Principal Paying Agent.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b) by the Principal Paying Agent shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Trustee, the Noteholders or the Couponholders shall attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation of such Note (in the case of Bearer Notes) or Certificate representing the same (in the case of certificated Registered Notes) or, in the case of uncertificated Registered Notes, in compliance with the rules from time to time laid down by the Issuer in a manner consistent with the rules, practices and procedures of a relevant system, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

## **6. Payments**

(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

*(b) Presentation of definitive Bearer Notes and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Bearer Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

*(c) Payments in respect of Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

*(d) Payments in respect of Registered Notes*

Payments of principal and interest on each Registered Note will be made (subject, in the case of a payment of principal in respect of a certificated Registered Note, to the presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relative Certificate at the specified office of the Registrar or any of the Paying Agents) by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the certificated Registered Note appearing in the Register maintained by the Registrar at the close of business on the seventh business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date (the **Record Date**). Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the

Specified Currency drawn on a Designated Bank (as defined below) and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the Record Date at its address shown in the Register on the Record Date and at its risk.

For these purposes:

**Designated Account** means the account maintained by the holder with a Designated Bank and identified as such in the Register; and

**Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of payment in euro) any bank which processes payments in euro.

In the case of uncertificated Registered Notes, such steps will be taken as the Trustee shall consider necessary having regard to the Uncertificated Securities Regulations and to the rules, practices and procedures of a relevant system to indicate the making of such payment, and may include, if the Trustee thinks fit, a requirement for such uncertificated Registered Note to be changed to a certificated Registered Note before payment.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post.

*(e) General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Bearer Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Bearer Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

*(f) Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) in the case of Notes in definitive form only, the relevant place of presentation;
  - (B) each Additional Financial Centre specified in the applicable Final Terms; and

- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(g) *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e)); and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

## **7. Redemption and purchase**

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

(b) *Redemption for tax reasons*

Subject to Condition 7(e) the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if as soon as practicable before giving such notice:

- (i) the Issuer satisfies the Trustee that, 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 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above in which event it shall be conclusive and binding on the Noteholders and Couponholders.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given:

- (i) not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee, the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

If Spens Amount is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed or (ii) the principal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Financial Adviser, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the applicable Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin, all as determined by the Financial Adviser.

If Make-Whole Amount is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be an amount calculated by the Agent equal to the higher of (i) 100 per cent. of the principal amount outstanding of the Notes to be redeemed or (ii) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Note (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis at the Reference Bond Rate, plus the Redemption Margin.

In this Condition 7(c):

**FA Selected Bond** means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

**Financial Adviser** means a financial adviser selected by the Issuer after consultation with the Trustee;

**Gross Redemption Yield** means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields", page 4, Section One: Price/Yield Formulae "Conventional Gilts; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8 June, 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve;

**Redemption Margin** shall be as set out in the applicable Final Terms;

**Reference Bond** shall be as set out in the applicable Final Terms or shall be the FA Selected Bond;

**Reference Bond Price** means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest

and lowest such Reference Government Bond Dealer Quotations, or (B) if the Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

**Reference Bond Rate** means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption;

**Reference Date** will be set out in the relevant notice of redemption;

**Reference Government Bond Dealer** means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

**Reference Government Bond Dealer Quotations** means, with respect to each Reference Government Bond Dealer and any date for redemption, the arithmetic average, as determined by the Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Agent by such Reference Government Bond Dealer; and

**Remaining Term Interest** means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the date on which such Note is to be redeemed by the Issuer pursuant to this Condition 7(c).

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7(c) by the Agent, shall (in the absence of negligence, wilful default or bad faith) be binding on the Issuer, the Agent, the Trustee, the Paying Agents, the Registrar (if applicable) and all Noteholders and Couponholders.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7(c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

(d) *Redemption at the option of the Noteholders*

(i) *General Investor Put*

If General Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver such Note or the Certificate representing the same at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of certificated Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify (a) a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition



and (b) in the case of certificated Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which the new Certificate in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on its instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper (as the case may be) for Euroclear or Clearstream, Luxembourg to the Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 7(d)(i) shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice and instead to declare such Note forthwith due and payable pursuant to Condition 10.

A holder of uncertificated Registered Notes shall exercise the right to require redemption by complying with the rules, practices and procedures of a relevant system.

(ii) *Change of Control Investor Put*

If Change of Control Investor Put is specified as being applicable in the applicable Final Terms, the following provisions shall apply to the Notes.

(a) A **Put Event** will be deemed to occur if:

(A) any person (being an individual, partnership, company, corporation, unincorporated organisation, trust or joint venture, or any governmental agency or political subdivision thereof) or any persons acting in concert (as defined in the City Code on Takeovers and Mergers) or any person or persons acting on behalf of any such person(s) (the **Relevant Person**) at any time directly or indirectly own(s) or acquire(s): (A) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (B) such number of shares in the capital of the Issuer carrying more than 50 per cent. of the total voting rights attached to the issued or allotted share capital of the Issuer that are normally exercisable at a general meeting of the Issuer (such event being a **Change of Control**), provided that a Change of Control shall be deemed not to have occurred if all or substantially all of the shareholders of the Relevant Person are, or immediately prior to the event which would otherwise have constituted a Change of Control were, the shareholders of the Issuer with the same (or substantially the same) pro rata interest in the share capital of the Relevant Person as such shareholders have or, as the case may be, had in the share capital of the Issuer; and

(B) on the date (the **Relevant Announcement Date**) that is the earlier of (x) the date of the first public announcement of the relevant Change of Control; and (y) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Notes carry from any Rating Agency (as defined below):

(1) an investment grade credit rating (*Baa3/BBB-*, or equivalent, or better), and such rating from any Rating Agency is within the Change of Control Period either downgraded to a non-investment grade credit rating (*Ba1/BB+*, or equivalent, or worse) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency; or

(2) a non-investment grade credit rating (*Ba1/BB+*, or equivalent, or worse), and such rating from any Rating Agency is within the Change of Control Period downgraded by one or more notches (*for illustration, Ba1/BB+ to Ba2/BB being one notch*) or withdrawn and is not within the Change of

Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency; or

- (3) no credit rating, and no Rating Agency, assigns within the Change of Control Period an investment grade credit rating to the Notes,

provided that, if on the Relevant Announcement Date the Notes carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then sub-paragraph (1) will apply; and

- (C) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement.
- (b) If a Put Event occurs, the holder of each Note shall have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) each such Note on the Put Date (as defined below) at an amount equal to its Final Redemption Amount (the **Optional Redemption Amount**) together with interest accrued to but excluding the date of redemption or purchase. Such option (the **Put Option**) shall operate as set out below.
- (c) Promptly upon the Issuer becoming aware that a Put Event has occurred the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to being indemnified to its satisfaction), give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 14 specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 7(d)(ii).
- (d) To exercise the Put Option under this Condition 7(d)(ii) the holder of the Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver such Note or the Certificate representing the same at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of certificated Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar, falling within the period (the **Put Period**) of 45 days after a Put Event Notice is given, accompanied by a duly signed and completed Put Notice (as defined in Condition 7(d)(i)). The Note (in the case of Bearer Notes) should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiry of the Put Period (the **Put Date**), failing which the Paying Agent will require payment of an amount equal to the face value of any such missing Coupon. Any amount so paid will be reimbursed in the manner provided in Condition 6 against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 11) at any time after such payment, but before the expiry of the period of five years from the Relevant Date (as defined in Condition 8) in respect of that Coupon. Payment in respect of any such Note will be made on the Put Date either (i) by transfer to the bank account (if any) specified in the relevant Put Notice or (ii) if no bank account is so specified, by cheque posted to the address specified in the relevant Put Notice. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on its instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper (as the case may be) for Euroclear or Clearstream Luxembourg to the Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time. The Issuer shall redeem or purchase the relevant Notes in accordance with this Condition 7(d)(ii) unless such Notes have been previously redeemed and cancelled.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 7(d)(ii) shall be irrevocable except where prior to the due date of redemption an

Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice and instead to declare such Note forthwith due and payable pursuant to Condition 10.

A holder of uncertificated Registered Notes shall exercise the right to require redemption by complying with the rules, practices and procedures of a relevant system.

If 80 per cent. or more in nominal amount of the Notes outstanding as at the day immediately preceding the day on which the Put Event Notice was given have been redeemed pursuant to this Condition 7(d)(ii), the Issuer may, on not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders given within 30 days after the Put Date, redeem, at its option, all, but not some only, of the remaining Notes at the Optional Redemption Amount plus interest accrued to but excluding the date of such redemption.

- (e) If the rating designations employed by either Moody's or S&P are changed from those which are described in paragraph (a)(B) above, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine, with the agreement of the Trustee (not to be unreasonably withheld or delayed), the rating designations of Moody's or S&P or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's or S&P and paragraph (a)(B) above shall be read accordingly.
- (f) The Trustee is under no obligation to ascertain whether a Put Event or Change of Control, or any event which could lead to the occurrence of, or could constitute, a 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 Put Event or Change of Control or other such event has occurred.
- (g) In these Terms and Conditions:

**Change of Control Period** means the period commencing on 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);

**Rating Agency** means Standard & Poor's Credit Market Services Europe Limited (**S&P**) or Moody's Investors Service Ltd (**Moody's**) or their respective successors or any rating agency (a **Substitute Rating Agency**) substituted for any of them by the Issuer from time to time with the prior written approval of the Trustee; and

**Relevant Potential Change of Control Announcement** means any public announcement or statement by the Issuer, any actual or potential bidder or any adviser thereto relating to any potential Change of Control provided that within 180 days following the date of such announcement or statement a Change of Control occurs.

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 10, each Note will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = RP \times (1 + AY)^Y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

*(f) Purchases*

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

*(g) Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (f) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

*(h) Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent, the Trustee or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

**8. Taxation**

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (i) presented for payment in the United Kingdom; or

- (ii) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of its having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (iii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(f)); or
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (v) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

- (i) **Tax Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent, the Trustee or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14 and, in the case of Registered Notes, cheques shall have been despatched and/or payment made in accordance with mandate instructions in accordance with Condition 6.

## 9. Prescription

The Notes (whether in bearer or registered form) and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

## 10. Events of default

### (a) *Events of Default*

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction against all proceedings, claims and demands to which it may be liable and against all costs, charges, liabilities and expenses which may be incurred by it in connection with such enforcement or appointment, including the cost of its managements' time and/or other internal resources, calculated using its normal hourly rates in force from time to time), (but in the case of the happening of any of the events mentioned in sub-paragraphs (ii), (iii) (other than the winding-up or dissolution of the Issuer), (iv), (v) and (vi) below only if the Trustee has certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, if any of the following events (each an **Event of Default**) occurs:

- (i) default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or
- (ii) there is a failure in the performance of any obligation under the Notes or the Trust Deed (other than an obligation to make payment of any principal or interest thereunder) which:
  - (A) in the opinion of the Trustee, is incapable of remedy; or

- (B) being in the opinion of the Trustee capable of remedy, continues for the period of 30 days (or such longer period as the Trustee may permit) after written notification requiring such failure to be remedied has been given to the Issuer by the Trustee; or
- (iii) (except for the purpose of a reconstruction, an amalgamation or, in the case of a Principal Subsidiary, a voluntary winding-up, in each case the terms of which have previously been approved in writing by the Trustee) an order is made (and not discharged or stayed within a period of 30 days) or an effective resolution is passed for winding up the Issuer or any of its Principal Subsidiaries or an administration order is made in relation to the Issuer or any of its Principal Subsidiaries; or
- (iv) an administrative or other receiver is appointed of the whole or substantially the whole of the assets of the Issuer or any of its Principal Subsidiaries and is not removed, paid out or discharged within 30 days or, following such 30 day period, the appointment is not being disputed in good faith; or
- (v) the Issuer or any of its Principal Subsidiaries makes a general assignment for the benefit of its creditors; or
- (vi) (A) any loan or other indebtedness for borrowed money (as defined in the Trust Deed) of the Issuer or any of its Principal Subsidiaries, amounting in aggregate to not less than £40,000,000 or its equivalent in other currencies, becomes due and repayable prematurely by reason of an event of default (however described) or is not repaid on its final maturity date (as extended by any applicable grace period); or
- (B) any security given by the Issuer or any of its Principal Subsidiaries for any loan or indebtedness for borrowed money amounting in aggregate to not less than £40,000,000 or its equivalent in other currencies becomes enforceable and steps are taken to enforce the same; or
- (C) default is made by the Issuer or any of its Principal Subsidiaries in making any payment due under any guarantee or indemnity given by it in respect of any loan or indebtedness for borrowed money amounting in aggregate to not less than £40,000,000 or its equivalent in other currencies.

(b) *Enforcement*

The Trustee may, in its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of not less than one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction.

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

**11. Replacement of Notes, Coupons and Talons**

Should any Bearer Note, Certificate, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Certificates) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates, Bearer Notes, Coupons or Talons must be surrendered before replacements will be issued.

## **12. Agents**

The names of the initial Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (i) there will at all times be a Principal Paying Agent; and
- (ii) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant listing authority); and
- (iii) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (iv) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in the certain limited circumstances specified in the Agency Agreement and the Trust Deed, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

## **13. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

## **14. Notices**

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Bearer Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange.

Until such time as any definitive Bearer Notes are issued, there may, so long as any Global Notes representing the Bearer Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in

addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Bearer Notes are represented by a Global Note, such notice may be given by any holder of a Bearer Note to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### **15. Meetings of Noteholders, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons, these Terms and Conditions or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trustee and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

- (a) any modification of the Notes, the Coupons, these Terms and Conditions or the Trust Deed which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders; or
- (b) any modification of these Terms and Conditions, the Notes, the Coupons or the Trust Deed which is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or an error which, in the opinion of the Trustee, is proven or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall, unless the Trustee agrees otherwise, be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

The Trustee may also agree, without the consent of the Noteholders or Couponholders, to the waiver or authorisation of any breach or proposed breach of any of these Terms and Conditions or any of the provisions of the Trust Deed or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interest of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except, in the case of the Issuer, to the extent provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

#### **16. Substitution**

Subject as provided in the Trust Deed, the Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Noteholders, may agree, without the consent of the Noteholders or Couponholders, to the substitution of any successor in business to the Issuer or of a Subsidiary either of the



Issuer or any successor in business to the Issuer in place of the Issuer or any successor in business to the Issuer as principal debtor under the Trust Deed, the Notes and the Coupons, provided in the case of a Subsidiary either of the Issuer or of any successor in business to the Issuer the obligations of such Subsidiary in respect of the Trust Deed, the Notes and the Coupons shall be guaranteed by the Issuer or such successor in business in a form satisfactory to the Trustee. Any such substitution shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any such substitution shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

**17. Indemnification of the Trustee and its Contracting with the Issuer**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction against all proceedings, claims and demands to which it may be liable and against all costs, charges, liabilities and expenses which may be incurred by it in connection with such enforcement or appointment, including the cost of its managements' time and/or other internal resources using its normal hourly rates in force from time to time.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any 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.

**18. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the Issue Date, the amount and date of the first payment of interest thereon and/or the Issue Price and so that the same shall be consolidated and form a single Series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of bearer or registered notes of other Series in certain circumstances where the Trustee so decides.

**19. Contracts (Rights of Third Parties) Act 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

**20. Governing Law**

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

### **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes (which include making a profit and making acquisitions).

## DESCRIPTION OF THE ISSUER

The legal and commercial name of the Issuer is Centrica plc. The Issuer was registered and incorporated in England and Wales under registration number 3033654 and operates under the Companies Act 2006 as a public limited company. The Issuer was incorporated on 16 March, 1995 and its shares were first traded on the London Stock Exchange on 17 February, 1997. The Issuer's registered office is located at Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD and the telephone number is 01753 494 000.

The Issuer is the parent company of the group (the **Group**) comprising Centrica plc and all its subsidiary undertakings. As the parent company of the Group, the Issuer is dependent on receiving dividends and revenues from its subsidiaries.

## DIRECTORS AND SENIOR MANAGEMENT OF THE ISSUER

The directors and senior management of the Issuer, their position and principal activities outside the Group, where those are significant, are as follows:

### Centrica plc Board of Directors

Name	Position	Outside Directorships/Activities
Phil Bentley	Managing Director, British Gas	Non-executive director, IMI plc (effective 1 October, 2012)
Sir Roger Carr	Chairman	Deputy chairman and senior independent director of the Court of the Bank of England  Senior Adviser, Kohlberg Kravis Roberts  President, CBI  Trustee, Landau Forte Charitable Trust  Member of the UK Prime Minister's Business Advisory Group
Margherita Della Valle	Non-executive Director	Group financial controller, Vodafone Group Plc
Mary Francis	Senior Independent Director	Non-executive director, Aviva plc  Chair of governors of James Allen's Girls' School  Senior Adviser, Chatham House
Mark Hanafin	Managing Director, Centrica Energy	Non-executive director, EDF Energy Nuclear Generation Group Limited
Lesley Knox	Non-executive Director	Non-executive director, SABMiller Plc  Trustee, Grosvenor Estates  Chairman, Grosvenor Group Limited
Sam Laidlaw	Chief Executive	Non-executive director, HSBC Holdings plc  Trustee, RAFT  Lead non-executive director on the board of the Department for Transport  Member of the UK Prime Minister's Business Advisory Group
Nick Luff	Group Finance Director	N/A
Andrew Mackenzie	Non-executive Director	Group executive and chief executive of Non Ferrous at BHP Billiton plc
Ian Meakins	Non-executive Director	Group chief executive, Wolseley plc

**Centrica plc Board of Directors**

<b>Name</b>	<b>Position</b>	<b>Outside Directorships/Activities</b>
Paul Rayner	Non-executive Director	Non-executive director, Qantas Airways Limited Non-executive director, Boral Limited Chairman, Treasury Wine Estates Limited
Chris Weston	Managing Director, North America	N/A

**Centrica plc Executive Committee**

<b>Name</b>	<b>Position</b>	<b>Outside Directorships/Activities</b>
Phil Bentley	As above	As above
Grant Dawson	General Counsel and Company Secretary	N/A
Mark Hanafin	As above	As above
Sam Laidlaw	As above	As above
Nick Luff	As above	As above
Jill Shedden	Group Director Human Resources	N/A
Chris Weston	As above	As above

The business address of the directors and the senior management (as described above) of the Issuer with the exception of Chris Weston is c/o Centrica plc, Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD. The business address of Chris Weston is c/o Direct Energy, 12 Greenway Plaza, Suite 250, Houston, Texas 77046, USA. There are no potential conflicts of interest between the duties to the Issuer of the directors or the senior management (as described above) of the Issuer and their private interests and/or other duties.

## DESCRIPTION OF THE CENTRICA GROUP

### Background and Formation

The Issuer was listed in 1997 following the demerger of the gas supply, service and retail businesses of British Gas plc together with its Morecambe gas field production activities. The Group at the time comprised British Gas Trading Limited, British Gas Services Limited, British Gas Energy Centres Limited and Accord Energy Limited, together with the gas production business of the North and South Morecambe gas fields owned through Hydrocarbon Resources Limited and various other subsidiaries.

Since 1997, the Group has made numerous acquisitions and disposals and has developed organically. The principal operations of the Group are described briefly below.

### Principal Operations

#### *Downstream UK - British Gas*

The Downstream UK business consists of three divisions (Residential energy supply, Residential services and Business energy supply and services). These businesses operate under the name British Gas in England and Wales and Scottish Gas in Scotland under a combined management team with integrated support functions.

#### *Residential energy supply*

The Group is the largest supplier of gas and electricity to customers in Britain's deregulated domestic market.

The gas supply market in Great Britain was fully liberalised in May 1998. As at 30 June, 2012, British Gas Residential Energy had 9.0 million accounts on supply, representing a 41 per cent. share<sup>1</sup> of the UK residential gas supply market.

Since the residential electricity market opened to competition in 1998, the Group has gained approximately 6.8 million customers (equivalent to a 26 per cent. share<sup>2</sup> of the UK residential electricity supply market) to become the largest supplier of electricity to residential customers in Britain.

British Gas also continues to lead the industry in the roll-out of smart meters and had installed 600,000 smart meters as at 30 June, 2012.

#### *Business energy supply and services*

Through British Gas Business, the Group is Britain's biggest supplier by customer numbers of gas and electricity to the UK commercial sector.

As at 30 June, 2012, British Gas Business supplied gas and electricity to almost one million supply points. British Gas Business also continues to develop its services proposition and during the first half of 2012 the Group signed its first multi-year Energy Performance Contracts with businesses and public sector organisations.

#### *Residential services*

British Gas Services is one of the UK's biggest national providers of energy related maintenance and breakdown services for the home, currently with approximately 8.9 million products supplied to approximately four million households, and directly employing over 9,000 engineers nationwide. Many of these services are provided in connection with insurance products sold by the Group: British Gas Insurance Limited has been established as an insurer and British Gas Services Limited has been given authority to sell its insurance based service and repair products. Both companies have been authorised by the Financial Services Authority to carry out these functions. In addition to central heating maintenance, repair contracts and on-demand services, British Gas Services provides maintenance, repair contracts and on-demand services for plumbing and drains, home electrics and kitchen appliances. It owns the franchise business Dyno-Rod, a UK drain specialist as well as its related businesses in plumbing, locks and security services. It is also a national installer of domestic, monitored home security systems.

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<sup>1</sup> Source: Group data

<sup>2</sup> Source: Group data

British Gas Services is the UK's largest national installer of domestic central heating boilers and systems and in the first half of 2012 installed 44,000 boilers. It also carries out social housing work installing domestic central heating boilers and systems with local authorities and housing associations, and now manages a portfolio in excess of 260,000 homes.

British Gas also has interests in a range of new energy technologies, with investments in biomass heating, solar, and fuel cell boilers. In addition, the Group has secured contracts with Nissan, Renault, Toyota, Vauxhall and the Source London 'Plugged-in-Places' scheme to become the preferred partner for home charging solutions for electric vehicles. The Group has also built an insulation business, which completed 102,000 installations in the first half of 2012.

### ***Upstream UK - Centrica Energy***

Centrica Energy owns a number of gas and oil production assets in the UK, the Netherlands, Norway and Trinidad and Tobago, gas-fired and wind power generation assets across the UK, as well as a 20 per cent. equity stake in the company that acquired the nuclear operator British Energy Group plc (**British Energy**). It is also responsible for sourcing the gas and electricity needed to supply residential and business customers in Great Britain and wholesale and certain industrial gas sales activities, energy procurement optimisation and scheduling operations in all markets outside of North America.

In total, the Group now has equity interests in around 85 producing gas and oil fields in UK, Dutch, Trinidadian and Norwegian waters, and also has a number of development projects and gas exploration licences. Estimated total net proven and probable gas and oil reserves in Upstream UK were 440 million barrels of oil equivalent (**mmboe**) as at 31 December, 2011. Between November 2011 and February 2012 Centrica Energy announced three North Sea acquisitions, with total consideration of £1.2 billion, which had estimated reserves of 167 mmboe as at the end of 2011.

The Group's own UK gas production is currently equivalent to over 50 per cent. of British Gas retail gas demand. The Group's principal producing fields are South Morecambe, Kvitebjorn, Statfjord, Chiswick, NCMA Poinsettia and Grove. The Group's principal development projects are Ensign, Seven Seas, Rhyl, Atla, York, Kew, Cygnus and Valemon. Ensign produced first gas in May 2012, first gas is expected from Seven Seas later in 2012, Rhyl and Atla are expected to produce first gas around the end of 2012 with first gas from York and Kew expected in 2013. Valemon is expected to produce first gas towards the end of 2014, while the £1.4 billion Cygnus project has now been sanctioned and is expected to start production towards the end of 2015.

The Group is the owner and operator of seven gas-fired power stations, with a total combined capacity of 3.9 gigawatts (**GW**), excluding the plant at Kings Lynn which has now been closed due to market conditions. It also has a tolling arrangement with the owners of an 860 megawatt (**MW**) power station at Spalding, a tolling agreement in respect of the 400MW Rijnmond power station in the Netherlands and two coal-priced electricity supply contracts with Drax Power Limited, owner of the Drax power station in North Yorkshire, which provide the Group with access to 900MW of power. The first of these contracts, providing access to 600MW of power, ends in December 2012.

The Group also produces renewable power through its operated joint venture wind farms at Glens of Foudland, Barrow and Lynn and Inner Dowsing, owning a 50 per cent. stake in each. It also owns a 50 per cent. stake in the Braes of Doune wind farm. The Group generated first power from the 270MW Lincs offshore wind farm, a joint venture with DONG and Siemens Project Ventures in which the Group owns 50 per cent., in August 2012. The Group's next offshore wind project, Race Bank, has now received planning consent for up to 580MW of capacity and the Group is progressing towards a final investment decision in the first quarter of 2013.

In November 2009, the Group completed the purchase from EDF, for total consideration of £2.3 billion, of a 20 per cent. equity stake in Lake Acquisitions Limited (the vehicle through which EDF acquired British Energy). The acquisition also included the right to take up an interest of up to 20 per cent. in a joint venture, NNB Holding Company Limited, to pursue a planned programme to build up to four new nuclear power stations in the UK.

The Group can now supply around 95 per cent. of peak power demand for its existing residential and industrial and commercial electricity customers through its own sources of generation (including its interest in British Energy).<sup>3</sup>

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<sup>3</sup> Source: Group data

The Group has entered into a number of long term commodity purchase contracts including gas and electricity contracts with a number of international energy companies, such as Statoil and Qatargas, to ensure security of supply for its downstream customer base, and Centrica Energy manages gas transportation and shipping services through the UK-Continent Interconnector pipeline between Bacton on the Norfolk coast and Zeebrugge in Belgium, in which it has capacity rights.

The Group's energy trading and wholesaling business in the UK, Centrica Energy Limited, trades with the major participants in the wholesale British energy market and is an active player in the European markets, as well as trading on behalf of other members of the Group, particularly British Gas Residential and British Gas Business.

### ***Storage UK - Centrica Storage Limited***

Centrica Storage Limited, a wholly owned subsidiary of the Issuer, operates the Rough gas storage facility, a seasonal storage facility acquired by the Group in November 2002. The facility consists of a partially depleted gas field (the Rough field) in the Southern North Sea, approximately 18 miles off the east coast of Yorkshire, together with an onshore gas processing terminal at Easington, approximately 27 miles south east of Hull. It is the largest gas storage facility in the United Kingdom, able to meet approximately 10 per cent. of current national gas demand on a cold winter's day.<sup>4</sup>

Following the acquisition by the Group of the Rough facility and the subsequent Competition Commission inquiry, "undertakings" were agreed with the Office of Fair Trading (**OFT**) which place certain obligations on Centrica Storage Limited and the Group in respect of the storage business.

The undertakings require Centrica Storage Limited to be legally, financially and physically separate from all other Centrica businesses. In particular, there are restrictions prohibiting the disclosure by Centrica Storage Limited of commercially sensitive information to other parts of the Group. In line with its obligations, Centrica Storage Limited makes available the majority of capacity within the Rough facility to users other than Group companies. In April 2011 the Competition Commission published its final decision on the Group's request for a review of the undertakings based on changes in the gas market since 2002 and the introduction of the EU Third Energy Package. The Competition Commission did not fully agree with the Group's assessment that the undertakings were no longer required; however certain variations have been agreed to reflect the changes in the market including an increase in the proportion of capacity that can be purchased by other parts of the Group, the introduction of a mechanism for Ofgem to agree to allow some capacity to be sold as non-Standard Bundled Unit (**SBU**) products and a change in the minimum reserve price for auctions of unsold capacity.

### ***North America - Direct Energy***

In August 2000, the Group entered the North American market with the acquisition of Direct Energy Marketing Limited (**Direct Energy**). Direct Energy remains the Group's principal customer brand in the region and has expanded significantly since 2000 through further acquisitions and organic growth.

Direct Energy supplies energy and related services to residential and business customers in 46 states in the United States and 10 provinces in Canada and now has over 6 million customer relationships. Direct Energy is organised into four pan-North American lines of business: Direct Energy Residential, Direct Energy Business, Direct Energy Services and Direct Energy Upstream and Wholesale.

Direct Energy Residential supplies natural gas and electricity to over 3 million residential and small commercial customers, predominantly in deregulated markets. Its principal markets include Ontario, Alberta, Texas, and the north-eastern United States. The business has been built from three major acquisitions – Direct Energy in 2000, CPL Retail Energy LP and WTU Retail Energy LP in Texas in 2002 and the acquisition of over one million residential gas and electricity customers in Alberta from the ATCO Group in 2004. These larger-scale acquisitions have been supplemented with smaller acquisitions and organic growth, including the acquisitions of Gateway, First Choice Power and Vectren Retail in 2011, and Energetix and NYSEG solutions in 2012.

Direct Energy Business supplies natural gas and electricity to medium and large sized businesses, institutions and government entities, and is the third largest supplier to industrial and commercial customers in the United States. Its principal markets include Texas, the U.S. North East and most provinces in Canada.

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<sup>4</sup> Source: Group data



Direct Energy Services provides heating, ventilation and air-conditioning services, plumbing, electrical appliance repair, home improvement, building automation and energy advisory activities, across the United States and Canada in the form of contracts and on-demand services. Direct Energy Services was created from three key acquisitions – Enbridge Services Inc, an Ontario home and business services company, in 2002, Residential Services Group, a home services business in the United States, in 2004, and Clockwork Home Services Inc (**Clockwork**), in 2010. Clockwork provides on-demand services across the United States and Canada supplying heating, cooling, plumbing and electrical services through its wholly owned retail operations, franchise operations and affinity programme for independent contractors. In addition, Direct Energy acquired Home Warranty of America in March 2012 and now has the necessary licences to offer protection plan products across the United States, providing a further platform for growth.

Direct Energy Upstream and Wholesale comprises natural gas and power assets, energy management and procurement activities, wholesale energy trading and midstream gas (storage and transportation). The Group had over 100 mboe of gas and liquid reserves in North America as at 31 December, 2011, having in 2010 acquired natural gas assets in the Wildcat Hills region of Alberta for C\$375 million (£229 million). Direct Energy is now able to meet around 35 per cent. of its customers' gas demand through its own sources of production. The Group also owns three gas-fired power stations with a capacity of 1.2GW, and has 0.8GW of wind farm off-take agreements in Texas.

## UNITED KINGDOM TAXATION

The comments below, which are of a general nature and are based on the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs practice, describe certain aspects of the United Kingdom tax treatment in respect of the Notes. Some comments do not apply to certain classes of persons (such as dealers and persons connected with the Issuer) to whom special rules may apply. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective holders of Notes should be aware that the particular terms of issue of any Series of Notes as specified in the applicable Final Terms may affect the tax treatment of that and other Series of Notes. The United Kingdom tax treatment of prospective holders of Notes depends on their individual circumstances and may be subject to change in the future. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly advised to consult their own professional advisers.

### Interest on the Notes

- (1) Payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax as long as the Notes are and continue to be listed on a **recognised stock exchange** within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is such a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes remain so listed, interest may be paid on the Notes without withholding or deduction for or on account of United Kingdom income tax.
- (2) Payments of interest on the Notes may also be made without withholding or deduction for or on account of United Kingdom income tax by a company if, at the time the payments are made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner of the Note is within the charge to United Kingdom corporation tax in respect of that interest or falls within a list of specific tax exempt entities and bodies as set out in Chapter 11 of Part 15 of the Income Tax Act 2007, provided that HM Revenue and Customs has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.
- (3) In addition to the exemptions referred to above, where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax. HMRC issued a consultation document on 27 March, 2012 entitled "Possible changes to income tax rules on interest", in which the United Kingdom Government has invited views on extending the obligation to deduct or withhold on account of United Kingdom income tax so that it would apply regardless of the maturity of the Notes in question.
- (4) In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to any direction to the contrary from HM Revenue and Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.
- (5) If Notes are redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest for United Kingdom tax purposes. In that event, payments thereof would be subject to the treatment outlined in paragraphs (1) to (4) above and to the reporting requirements mentioned in paragraph (10) below.
- (6) Any amount treated as interest on a Note issued by the Issuer has a United Kingdom source and accordingly may be chargeable to United Kingdom income tax by direct assessment even where such interest is paid without withholding. However, the interest is not chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a branch or agency in the United Kingdom in connection with which the interest is received or to which those Notes are attributable (and where that Noteholder is a company, unless

that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable). There are certain exemptions for interest received by certain specified categories of agent (such as some brokers and investment managers).

- (7) Noteholders should note that the provisions relating to additional amounts referred to in "*Terms and Conditions of the Notes – Taxation*" above would not apply if HM Revenue and Customs sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

#### **Other United Kingdom Taxation Considerations**

- (8) Noteholders which are companies within the charge to United Kingdom corporation tax may be subject to United Kingdom corporation tax on their holding, disposal or redemption of Notes. The nature of the tax charge will depend on the terms of the Note in question and the particular circumstances of the relevant Noteholder. In particular, Noteholders within the charge to United Kingdom corporation tax should have regard to the provisions of the "loan relationship" legislation contained in the Corporation Tax Act 2009.
- (9) Noteholders who are individuals or trustees and who are resident or ordinarily resident in the United Kingdom or who carry on a trade in the United Kingdom to which the Notes are attributable may be subject to United Kingdom income or capital gains tax on their holding, disposal or redemption of Notes. The nature of the tax charge will depend on the terms of the Note in question and the particular circumstances of the relevant Noteholder. In particular such Noteholders should have regard to the chargeable gains legislation, the "accrued income scheme" and the "deeply discounted securities" legislation.

#### **Reporting Requirements**

- (10) Noteholders who are individuals may wish to note that persons in the United Kingdom paying or crediting interest to or receiving interest for or on behalf of a Noteholder may be required to provide certain information to the United Kingdom HM Revenue and Customs (including the name and address of the beneficial owner of the interest). HM Revenue and Customs also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person, although HM Revenue and Customs published practice indicates that HM Revenue and Customs will not exercise its power to obtain information where such amounts are payable on the redemption of deeply discounted securities where such amounts are paid on or before 5 April, 2013. Such information may include the name and address of the beneficial owner of the amount payable on redemption. In certain circumstances, HM Revenue and Customs may exchange such information with tax authorities of other jurisdictions.

#### **EU Savings Directive**

- (11) Under EC Council Directive 2003/48/EC (the **Savings Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain other limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).
- (12) The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement, originally dated 7 September, 2001, as supplemented and/or amended and/or restated from time to time and as most recently amended and restated on 26 September, 2012 (the **Programme Agreement**), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Terms and Conditions of the Notes*" above.

### United States

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 under the Securities Act.

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. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer and sell Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such 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.

### Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

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

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

For the purposes of this provision:

- the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms

of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;

- the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State); and
- includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have 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 whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as 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 where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (**FSMA**) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) 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.

### **General**

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorisation

The establishment and updates of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 28 June, 2001, 4 September, 2002, 20 October, 2005, 21 September, 2006, 20 September, 2007, 18 September, 2008, 28 July, 2009, 26 July, 2010, 16 September, 2011 and 25 September, 2012 and the resolutions of the committee of the Board of Directors of the Issuer passed on 19 September 2008, 28 August, 2009, 29 September, 2010, 23 September, 2011 and 25 September, 2012.

### Listing of Notes

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of Notes is expected to be granted on or before 1 October, 2012.

### Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection at the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

- (a) the Articles of Association of the Issuer;
- (b) the consolidated audited financial statements of the Issuer in respect of the two financial years ended 31 December, 2010 and 2011 together with the audit reports prepared in connection therewith;
- (c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer, in each case together with any audit or review reports prepared in connection therewith;
- (d) the Programme Agreement, the Agency Agreement, the Trust Deed and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (e) a copy of this Base Prospectus;
- (f) any future offering circulars, base prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (g) in the case of each issue of Notes admitted to trading on the London Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

### Clearing Systems

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

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

**Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

**Significant or Material Change**

There has been no significant change in the financial or trading position of the Issuer and its Subsidiaries taken as a whole since 30 June, 2012 and there has been no material adverse change in the financial position or prospects of the Issuer and its Subsidiaries taken as a whole since 31 December, 2011.

**Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), nor have there been such proceedings in the 12 months preceding the date of this document, which may have or have in such period had a significant effect on the financial position or profitability of the Issuer and/or the Group.

**Auditors**

PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors (members of the Institute of Chartered Accountants of England and Wales) have audited, and rendered unqualified audit reports on, the annual consolidated published accounts of the Issuer and its subsidiaries in accordance with International Financial Reporting Standards and the annual non-consolidated published accounts of the Issuer in accordance with generally accepted auditing standards in the United Kingdom for each of the two financial years ended on 31 December, 2010 and 31 December, 2011. The auditors of the Issuer have no material interest in the Issuer.

**Transactions with the Dealers**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**REGISTERED OFFICE OF THE ISSUER**

**Centrica plc**  
Millstream  
Maidenhead Road  
Windsor  
Berkshire SL4 5GD

**TRUSTEE**

**The Law Debenture Trust Corporation p.l.c.**  
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100 Wood Street  
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**PRINCIPAL PAYING AGENT**

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ

**PAYING AGENT**

**HSBC Institutional Trust Services (Ireland) Limited**  
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