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The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering, be made by a licensed broker or dealer and BARCLAYS BANK PLC, HSBC BANK PLC, and THE ROYAL BANK OF SCOTLAND PLC, or any affiliate of any of the above is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by BARCLAYS BANK PLC, HSBC BANK PLC and THE ROYAL BANK OF SCOTLAND or such affiliate on behalf of the Issuer in such jurisdiction.

This prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of ENW Capital Finance plc, Electricity North West Limited, North West Electricity Networks Limited, NWEN Group Limited or BARCLAYS BANK PLC, HSBC BANK PLC or THE ROYAL BANK OF SCOTLAND PLC (nor any person who controls any of them respectively nor any director, officer, employee nor agent of any of them respectively nor affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from BARCLAYS BANK PLC, HSBC BANK PLC or THE ROYAL BANK OF SCOTLAND PLC.

ENW CAPITAL FINANCE PLC

(a public limited company incorporated in England and Wales with registered number 06873051)

**£1,000,000,000 debt programme for the issuance of
Unwrapped Notes and Wrapped Notes unconditionally and irrevocably guaranteed
as to scheduled payments of principal and interest pursuant to
Financial Guarantees issued by each Relevant Financial Guarantor
financing**

North West Electricity Networks Limited

(incorporated with limited liability in England and Wales with registered number 6428375)

Under this debt programme (the “**Programme**”), ENW Capital Finance plc (the “**Issuer**”) may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). North West Electricity Networks Limited (“**NWEN**”) may also raise additional financial indebtedness pursuant to the Programme in the form of loan finance which, by virtue of the intercreditor arrangements described herein, ranks *pari passu* with the Notes (see Chapter 5 “*Overview of the Financing Structure*” below). The maximum aggregate nominal amount of all financial indebtedness from time to time outstanding under the Programme (including the Notes) will not exceed £1,000,000,000 (or its equivalent in other currencies), in each case subject to any increase as described herein.

The payment of all amounts owing in respect of the Notes will be unconditionally and irrevocably guaranteed by NWEN and NWEN Group Limited (the “**SPV HoldCo**”) as described herein. NWEN, SPV HoldCo and the Issuer are together referred to herein as the “**Obligors**”. SPV HoldCo has no significant assets other than the shares in NWEN, its subsidiary.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended (“**FSMA**”) (the “**UK Listing Authority**” or “**UKLA**”), for Notes issued under the Programme during the period of 12 months after the date hereof, 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**”) and for such Notes to be admitted to trading on the London Stock Exchange’s Regulated Market (the “**Market**”). References in this Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of the Directive 2004/39/EC of the European Parliament and the Council on markets in financial instruments. The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Obligors and the relevant Dealer(s) (as defined below). The Issuer may also issue unlisted Notes.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under Chapter 1 “*The Parties*” and any additional Dealer appointed under the Programme from time to time by the Issuer and NWEN, which appointment may be for a specific issue or on an ongoing basis. References in this 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 subscribe to such Notes.

See Chapter 4 “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Notes.

Arranger and Sole Bookrunner



Dealers

Barclays Capital

HSBC

The Royal Bank of Scotland

Prospectus dated 16 July 2009

Under the Programme, the Issuer may, subject to all applicable legal and regulatory requirements, from time to time issue Notes in bearer and/or registered form (respectively “**Bearer Notes**“ and “**Registered Notes**“). Copies of each Final Terms (as defined below) will be available (in the case of all Notes) from the specified office set out below of the Issuer, (in the case of Bearer Notes) from the specified office set out below of each of the Paying Agents (as defined below) and (in the case of Registered Notes) from the specified office set out below of each of the Registrar and the Transfer Agent (each as defined below), **provided that**, in the case of Notes which are not listed on any stock exchange, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders. The Issuer may also issue unlisted Notes.

The maximum aggregate nominal amount of all Notes from time to time Outstanding (as defined in the Conditions) under the Programme will not exceed £1,000,000,000 (or its equivalent in other currencies calculated as described herein), and the maximum aggregate nominal amount of all financial indebtedness from time to time outstanding under the Programme will not exceed £1,000,000,000 (or its equivalent in other currencies), in each case subject to increase as described herein.

Details of the aggregate principal amount, interest payable (if any), the issue price and any other conditions not contained herein, which are applicable to each Tranche of each Sub-Class of each Class of each Series (each as defined below) will be set forth in the final terms (the “**Final Terms**“) which, in the case of Notes to be admitted to the Official List and to trading on the Market, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the relevant date of issue of the Notes of such Tranche.

Notes issued under the Programme will be issued in series (each a “**Series**“), with each Series belonging to one of two classes (each a “**Class**“): (i) unwrapped Notes (“**Unwrapped Notes**“) and (ii) wrapped Notes (“**Wrapped Notes**“). Each Class may comprise one or more sub-classes (each a “**Sub-Class**“) with each Sub-Class pertaining to, *inter alia*, the currency, interest rate and maturity date of the relevant Sub-Class. Each Sub-Class may be zero-coupon, fixed rate, floating rate or index-linked Notes and may be denominated in sterling, euro, U.S. dollars or yen (or in other currencies subject to compliance with applicable laws) (each a “**Relevant Currency**“). Each Sub-Class may be issued in one or more tranches (each a “**Tranche**“), the specific terms of each Tranche being identical in all respects, save for the issue dates, interest commencement dates and/or issue prices, to the terms of the other Tranches of such Sub-Class.

The Unwrapped Notes are expected on issue to have the following credit ratings:

	<u>S&P</u>	<u>Fitch</u>
Unwrapped Notes.....	BBB	BBB+

As defined by S&P, a BBB rating means the Issuer’s obligations exhibit adequate protection parameters but that adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the Issuer to meet its financial commitment on the obligation. As delivered by Fitch, a BBB+ rating means that the capacity for timely payments of financial commitments is considered adequate but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. The “+” modifier shows relative standing within the BBB category.

None of the Unwrapped Notes will benefit from a Financial Guarantee or the guarantee of any other financial institution. Wrapped Notes will be unconditionally and irrevocably guaranteed as to scheduled payments of interest and principal (as adjusted for indexation, as applicable, but excluding any FG Excepted Amounts (as defined in the Conditions)) pursuant to Financial Guarantees (and the endorsements thereto) to be issued by certain financial institutions which have been approved by the Dealers and in respect of whom confirmation of no downgrade of any Notes then in issue has been obtained from each Rating Agency (each such financial institution, a “**Financial Guarantor**“). The Financial Guarantor issuing a Financial Guarantee in respect of

any Class, Sub-Class or Tranche of Wrapped Notes is referred to as the “**Relevant Financial Guarantor**” in respect of such Classes, Sub-Classes or Tranches. The credit rating of such Wrapped Notes will be based upon the higher of the rating of the Relevant Financial Guarantor and the Shadow Ratings. If the Global Notes are stated in the applicable Final Terms to be issued in new global note (“**NGN**”) form, the Global Notes will 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**”). Global notes which are not issued in NGN form (“**Classic Global Notes**” or “**CGNs**”) will be deposited on the Issue Date with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”). Each Sub-Class of Bearer Notes may be represented initially by a Temporary Global Note (as defined below), without interest coupons, which will be exchangeable for either a Permanent Global Note or definitive securities in bearer form following the expiration of 40 days after the later of the commencement of the offering and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership or to the effect that the holder is a U.S. person who purchased in a transaction that did not require registration under the Securities Act (as defined below) and as may be required by U.S. tax laws and regulations, as described in Chapter 15 “*Forms of the Notes*”. Ratings ascribed to all of the Notes reflect only the views of Fitch Ratings Limited (“**Fitch**”) and Standard & Poor’s Ratings Services (“**S&P**” and, together with Fitch, the “**Rating Agencies**”).

Further details of the Financial Guarantors will be published in a supplemental prospectus for the purposes of Annex VI of Commission Regulation (EC) No.809/2004 before the Issue Date of any Tranche of Wrapped Notes and shall constitute a supplementary prospectus pursuant to Prospectus Rule 3.4 and section 87G of the FSMA.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any one or all of the Rating Agencies. A suspension, reduction or withdrawal of the rating assigned to any of the Notes may adversely affect the market price of such Notes.

If any withholding or deduction for or on account of tax is applicable to the Notes, payments of interest on, principal of and premium (if any) on, the Notes will be made subject to such withholding or deduction, without the Issuer being obliged to pay any additional amounts as a consequence.

Notes may be issued in such denominations as may be agreed between the Issuer and the Dealers and as specified in the relevant Final Terms save that (i) the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area (“**EEA**”) or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) and (ii) in any other case, the minimum denomination of each Note will be such as may be allowed by the relevant central bank (or equivalent body) or any laws or regulation applicable to the Relevant Currency.

The Obligors may agree with any Dealer and the Note Trustee that Notes may be issued in a form not contemplated by the Conditions (as defined below), in which event (in the case of Notes admitted to the Official List only) a supplemental listing prospectus or further prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

IMPORTANT NOTICE

This prospectus (the “**Prospectus**“) comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and the other Obligors which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

Each of the Issuer and the other Obligors accepts responsibility for the information contained in this Prospectus (including the Appendices). To the best of the knowledge and belief of the Issuer and each of the other Obligors (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus (including the Appendices) is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is being distributed only to, and is directed only at, persons who (i) are outside the United Kingdom or (ii) are persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**“) or (iii) are high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(1) of the Order (all such persons together being referred to as “**relevant persons**“). This Prospectus, or any of its contents, must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons.

Copies of each set of Final Terms (in the case of Notes to be admitted to the Official List) will be available from Dalton House, 104 Dalton Avenue, Birchwood Park, Birchwood, Warrington WA3 6YF, from the specified office set out below of each of the Paying Agents or the Registrar and Transfer Agents (as applicable) and from the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/pricesnews/marketnews.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (See “*Documents Incorporated by Reference*” below).

For any Series of Wrapped Notes issued under the Programme, a new Financial Guarantee dated as of the Issue Date of such Series of Wrapped Notes will be entered into by each Relevant Financial Guarantor in respect of such Notes as set out in full in a supplementary prospectus published on or before the date of publication of the Final Terms in respect of such Wrapped Notes. The identity of the Relevant Financial Guarantor for any Series of Notes will be set out in the applicable Final Terms.

In the case of each Tranche of Wrapped Notes, admission to the Official List and trading on the Market is subject to the issue by each Relevant Financial Guarantor of a Financial Guarantee in respect of such Tranche.

No person has been authorised to give any information or to make representations other than the information or the representations contained in this Prospectus in connection with the Issuer, any member of the NWEN Financing Group (as defined below) or the offering or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, any member of the NWEN Financing Group, the Arranger, the Joint Lead Managers, any Dealers, the Note Trustee or the Security Trustee. Neither the delivery of this Prospectus nor any offering or sale of Notes made in connection herewith shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer or any member of the NWEN Financing Group since the date hereof. Unless otherwise indicated herein, all information in this Prospectus is given as of the date of this Prospectus. This Prospectus does not constitute an offer of, or an invitation by, or on behalf of, the Issuer or any Dealer to subscribe, or purchase, any of the Notes.

None of the Arranger, the Joint Lead Managers, the Dealers, the Financial Guarantors, the Note Trustee or the Security Trustee nor any of the Hedge Counterparties, the DSR Liquidity Facility Providers, the Authorised Credit Facility Providers, the Agents, any Account Bank or the Standstill Cash Manager (each as defined below and, together, the “**Other Parties**“) has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, any Dealer, Financial Guarantor, the Note Trustee or the Security Trustee or any Other Party as to the accuracy or completeness of the information contained in this Prospectus or any other information supplied in connection with the Notes or their distribution. The statements made in this paragraph are without prejudice to the respective responsibilities of the Issuer and the other Obligor. Each person receiving this Prospectus acknowledges that such person has not relied on the Arranger, any Joint Lead Manager, any Dealer, Financial Guarantor, the Note Trustee or the Security Trustee or any Other Party nor on any person affiliated with any of them in connection with its investigation of the accuracy of such information or its investment decision.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and the other Obligor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct or that there has been no adverse change in the financial position of the Issuer or the other Obligor as of any time subsequent to the date indicated in the document containing the same. None of the Arranger, any Joint Lead Manager, the Dealers, the Financial Guarantors, the Note Trustee, the Security Trustee or the Other Parties expressly undertakes to review the financial condition or affairs of any of the Obligor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Notes.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, any Financial Guarantor, any member of the NWEN Financing Group, the Arranger, any Joint Lead Manager, any Dealer, the Note Trustee, the Security Trustee or any of the Other Parties that any recipient of this Prospectus should purchase any of the Notes.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and the other Obligor and any Financial Guarantor and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the Notes should consult independent professional advisers.

The Notes and any guarantees in respect thereof have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**“) and may include certain Notes in bearer form that may be subject to U.S. tax law requirements. Subject to certain exemptions, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in the Securities Act). The Notes are being offered outside the United States in accordance with Regulation S under the Securities Act (see Chapter 18 “*Subscription and Sale*” below).

This 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 Prospectus and the offering, sale or delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the other Obligor and the Dealers to inform themselves about and to observe any such restrictions. The Issuer, the Arranger, the Joint Lead Managers, the Dealers, the Note Trustee, the Security Trustee and the other parties do not represent that this 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 Arranger, the Joint Lead Managers, the Dealers, the Note Trustee, the Security Trustee nor any of the other parties, which would permit a public offering of any Notes outside the United Kingdom or distribution of this Prospectus in any jurisdiction where action for that purpose is required, and this Prospectus is intended only to be used in conjunction with offers of securities falling within Article 3(2) of the Prospectus Directive. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this 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 Prospectus or any Notes may come, must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States and the EEA (including the United Kingdom). For a description of certain restrictions on offers and sales of the Notes and on distribution of this Prospectus, see Chapter 18 “*Subscription and Sale*” below.

All references herein to:

- (i) “pounds”, “sterling” or “£” are to the lawful currency of the United Kingdom;
- (ii) “\$”, “U.S.\$”, “U.S. dollars” and “dollars” are to the lawful currency of the United States of America;
- (iii) “€” or “euro” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, from time to time;
- (iv) “¥”, “JPY” or “yen” are to the lawful currency of Japan; and
- (v) “AUD” is to the lawful currency of Australia.

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

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the audited consolidated annual financial statements of Electricity North West Limited (“ENW”) for the financial years ended 31 March 2008 and 31 March 2009, together with the audit report thereon, each of which have been previously published or are published simultaneously with this Prospectus and which have been approved by the Financial Services Authority (“FSA”) or filed with it save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Any documents which are themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

A copy of this Prospectus and any documents incorporated by reference in this Prospectus will be available on <http://www.enwld.co.uk/>. Each of ENW and NWEN will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to any of ENW or NWEN, as appropriate, at their respective offices set out at the end of this Prospectus.

Please note that websites and URLs referred to herein do not form part of this Prospectus. To the extent that any document incorporated by reference in this Prospectus incorporates further information by reference, such further information does not form part of this Prospectus.

SUPPLEMENTAL PROSPECTUS

The Issuer has undertaken, in connection with the admission of the Notes to the Official List and to trading on the Market, that, if there shall occur any significant new factor, mistake or material inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Obligor or ENW or any relevant Financial Guarantor, and the rights attaching to the Notes, the Issuer shall prepare a supplement to this Prospectus or publish a replacement prospectus for use in connection with any subsequent issue of Notes and will supply to each Dealer and the Note Trustee such number of copies of such supplement hereto or replacement prospectus as such Dealer and Note Trustee may reasonably request. The Issuer will also supply to the UK Listing Authority such number of copies of such supplement hereto or replacement prospectus as may be required by the UK Listing Authority for the UK Listing Authority to approve such supplement and will make copies available, free of charge, upon oral or written request, at the specified offices of the Paying Agents (as defined below).

Each of the Obligors has undertaken to the Dealers in the Dealership Agreement (as defined in Chapter 18 “*Subscription and Sale*” below) to comply with Section 81 of the FSMA.

If the terms of the Programme are modified or amended in a manner which would make this Prospectus, as so modified or amended, inaccurate or misleading, a new prospectus will be prepared.

If at any time the Issuer shall be required to prepare a supplemental prospectus pursuant to Section 87(G) of the FSMA, the Issuer shall prepare and make available an appropriate supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplemental prospectus as required by the UK Listing Authority and Section 87(G) of the FSMA.

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CHAPTER 1

THE PARTIES

Issuer	ENW Capital Finance plc, a public company incorporated in England and Wales with limited liability (registration number 6873051) will be the main funding vehicle under the Programme for raising funds to support the long-term debt financing requirements of the NWEN Financing Group. The shares of the Issuer are 100 per cent. beneficially owned by NWEN. The Issuer will be tax resident in the United Kingdom.
ENW	<p>Electricity North West Limited, a company incorporated in England and Wales with limited liability (registration number 2366949). ENW is UK tax resident. The shares of ENW are 100 per cent. legally and beneficially owned by NWEN. ENW owns a regulated electricity distribution network and operates under a licence to distribute electricity throughout the North West of England and such other parts of Great Britain as approved by Ofgem from time to time (the “Licence”).</p> <p>ENW, the ENW Issuer (as defined below) and ENW’s Subsidiaries are not Obligors under the Programme, and the Secured Creditors will have no recourse to the ENW Issuer, ENW or any of ENW’s Subsidiaries, save in respect of (i) dividends which ENW actually pays to NWEN irrespective of the amount owing by way of Senior Debt, and (ii) any amounts payable by ENW under the NWEN/ENW Loan Agreement. As required by the terms of ENW’s Licence, a Default of any Obligor under any Finance Document will not cause any debt owing by ENW to accelerate.</p>
NWEN	North West Electricity Networks Limited, a company incorporated on 15 November 2007 in England and Wales with limited liability (registration number 6428375). As from the Programme Date, the shares of NWEN will be 100 per cent. legally and beneficially owned by SPV HoldCo. NWEN is tax resident in the United Kingdom.
SPV HoldCo	NWEN Group Limited, a company incorporated in England and Wales with limited liability (registration number 06872880). The shares of SPV HoldCo are 100 per cent. legally and beneficially owned by Senior HoldCo. SPV HoldCo is tax resident in the United Kingdom.
Senior HoldCo	North West Electricity Networks (Holdings) Limited, a company incorporated in England and Wales with limited liability (registration number 6428534). Senior HoldCo holds 100 per cent. of the shares in SPV HoldCo. Senior HoldCo is not a member of the NWEN Financing Group. Senior HoldCo is tax resident in the United Kingdom.
Guarantors	On and from the Programme Date, SPV HoldCo and NWEN will guarantee the obligations of the Issuer under the Finance Documents in favour of the Security Trustee and SPV HoldCo,

	NWEN and the Issuer (each a “ Guarantor “ and together the “ Guarantors “) will each cross-guarantee the obligations of each other under the Finance Documents in favour of the Security Trustee.
	None of ENW, ENW Finance plc (the “ ENW Issuer “) nor any of ENW’s Subsidiaries will provide any guarantees in connection with the Programme.
Obligors	SPV HoldCo, NWEN and the Issuer (each an “ Obligor “ and together the “ Obligors “).
NWEN Financing Group	SPV HoldCo and each of SPV HoldCo’s Subsidiaries from time to time (together, the “ NWEN Financing Group “). See Figure 1 (<i>Ownership Structure</i>) of Chapter 5 “ <i>Overview of the Financing Structure</i> ” below for a diagram of the NWEN Financing Group as at the Programme Date.
Arranger	HSBC Bank plc.
Joint Lead Managers	Barclays Bank PLC, HSBC Bank plc and The Royal Bank of Scotland plc for the first issue of Notes on or around the Programme Date and/or any other lead manager(s) appointed from time to time with a respect to particular issues of Notes under the Programme.
Dealers	Each of Barclays Bank PLC, HSBC Bank plc and The Royal Bank of Scotland plc will act as dealers (together with any other dealer(s) appointed from time to time by the Issuer and NWEN, the “ Dealers “ and each a “ relevant Dealer “) either generally or for a particular issue under the Programme.
Financial Guarantor(s)	<p>The Issuer shall arrange for Financial Guarantors to issue Financial Guarantees in favour of the Note Trustee in respect of Classes or Sub-Classes of Wrapped Notes which may be issued under the Programme.</p> <p>Such Financial Guarantors will unconditionally and irrevocably guarantee the scheduled payment of interest and principal (as adjusted for indexation, as applicable, but excluding the FG Excepted Amounts) in respect of such Wrapped Notes.</p> <p>Further details of the Financial Guarantors will be published in a supplemental prospectus for the purposes of Annex VI of Commission Regulation (EC) No. 809/2004 before the Issue Date of any Tranche of Wrapped Notes and shall constitute a supplementary prospectus pursuant to Prospectus Rule 3.4 and section 87G of the FSMA.</p>
NWEN Hedge Counterparty	Any counterparties to any NWEN Hedging Agreements (the “ NWEN Hedge Counterparties “).
Issuer Hedge Counterparty	Any counterparties to any Issuer Hedging Agreements (the “ Issuer Hedge Counterparties “).
Note Trustee	The Law Debenture Trust Corporation p.l.c. (or any successor trustee appointed pursuant to the Note Trust Deed (as defined below)) (the “ Note Trustee “) will act as Note Trustee for and on behalf of the holders of the Notes of each Series issued

Security Trustee	under the Programme from time to time (each a “ Noteholder “). The Law Debenture Trust Corporation p.l.c. (or any successor trustee appointed pursuant to the STID (as defined below)) will act as security trustee (the “ Security Trustee “) for itself and on behalf of the Secured Creditors and will hold, and will be entitled to enforce, the Security subject to the terms of the STID (as defined in the Conditions).
NWEN Secured Creditors	The NWEN Secured Creditors will comprise any person who is a party to, or has acceded to, the STID as an NWEN Secured Creditor.
Capex Facility Providers	Barclays Bank PLC, HSBC Bank plc and The Royal Bank of Scotland plc (each a “ Capex Facility Provider ” and, together, the “ Capex Facility Providers ”).
Authorised Credit Facility Provider	A lender or other provider of credit or financial accommodation under any Authorised Credit Facility (as defined below) (and will include, on or around the Programme Date, the Capex Facility Providers.
Account Banks	HSBC Bank plc, acting through its branch at 8 Canada Square, London E14 5HQ (the “ Initial Account Bank “) and any other person for the time being acting as Account Bank pursuant to an Account Bank Agreement (each an “ Account Bank ”).
Cash Manager	ENW, or during and after a Standstill Period (as defined in Chapter 13 “ <i>Overview of the Financing Agreements</i> ” below) (except where a Standstill Period is terminated by virtue of the waiver or remedy of the relevant Event of Default giving rise to the Standstill Period), HSBC Bank plc (the “ Standstill Cash Manager “).
Paying Agents	HSBC Bank plc will act as principal paying agent (or any successor principal paying agent appointed pursuant to the Agency Agreement) (the “ Principal Paying Agent “) and, together with any other paying agents appointed by the Issuer from time to time (each a “ Paying Agent “), will provide certain issue and paying agency services to the Issuer in respect of Notes issued under the Programme, pursuant to an Agency Agreement to be entered into on or before the Signing Date by, <i>inter alia</i> , the Issuer, the Principal Paying Agent, the Security Trustee and the Agent Bank (the “ Agency Agreement “).
Agent Bank	HSBC Bank plc (or any successor agent bank appointed pursuant to the Agency Agreement) will act as agent bank (the “ Agent Bank “) under the Agency Agreement in respect of the Notes.
Registrar and Transfer Agent	HSBC Bank plc (or any successor transfer agent appointed pursuant to the Agency Agreement) (the “ Transfer Agent “) will provide certain transfer agency services to the Issuer in respect of the Registered Notes and HSBC Bank plc (or any successor registrar appointed pursuant to the Agency Agreement) (the “ Registrar “) will provide certain registrar

services to the Issuer in respect of the Registered Notes, in each case pursuant to the Agency Agreement.

Rating Agencies

Standard & Poor's Ratings Services ("**S&P**") and Fitch Ratings Limited ("**Fitch**").

Regulator

The Gas and Electricity Markets Authority ("**GEMA**"), operating through the Office of Gas and Electricity Markets ("**Ofgem**") and any successors thereto.

CHAPTER 2 SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Prospectus. Any decision to invest in any Note should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference, by any investor. Following implementation of the relevant provisions of the Prospectus Directive in each member state of the EEA (an “EEA State”), no civil liability will attach to the Obligors in any such EEA State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in an EEA State, the plaintiff may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Issuer	ENW Capital Finance plc. The Issuer is a special purpose vehicle incorporated to raise funds to support the long-term debt financing requirements of SPV HoldCo and its subsidiaries. Its directors are Stephen Johnson, Carol Thompson, Surinder Toor, Niall Mills and John Gittins. The shares of the Issuer (50,000 shares of £1 each) are 100 per cent. beneficially owned by NWEN.
Issuer/NWEN Loan Agreements	The proceeds of each issue of Notes will be on-lent by the Issuer to NWEN pursuant to the Issuer/NWEN Loan Agreements.
NWEN	North West Electricity Networks Limited. NWEN is the 100 per cent. legal and beneficial owner of the shares of ENW.
SPV HoldCo	NWEN Group Limited. As at the Programme Date, SPV HoldCo will be the 100 per cent. legal and beneficial owner of the shares of NWEN.
Guarantors	SPV HoldCo, NWEN and the Issuer will each guarantee the obligations of each other under the programme’s finance documents (the “ Finance Documents ”) in favour of The Law Debenture Trust Corporation p.l.c. as security trustee (the “ Security Trustee ”).
Use of Proceeds by NWEN	NWEN will use the proceeds of each Issuer/NWEN Loan Agreement for its general corporate purposes and the general corporate purposes of its affiliates, including ENW, save that the proceeds of the Issuer/NWEN Loan Agreement entered into on or around the Programme Date will be applied by NWEN towards repayment of the Acquisition Debt.
NWEN/ENW Loan Agreement	Pursuant to the NWEN/ENW Loan Agreement, NWEN will advance loans to ENW from time to time.
ENW	<p>Electricity North West Limited was registered in England and Wales on 1 April 1989, to succeed to the North Western Electricity Board for the purposes of privatisation of the electricity industry in 1990. Its name was changed to Electricity North West Limited on 20 December 2007.</p> <p>ENW owns one of the 14 regulated electricity distribution networks in England, Wales and Scotland.</p> <p>The principal activity of ENW is the distribution of electricity in the north-west of England (which covers the Greater Manchester conurbation, the easterly fringes of the County of Merseyside, Lancashire, Cumbria and parts of Cheshire). ENW’s responsibilities</p>

are defined by the Electricity Act 1989 (as amended by the Utilities Act 2000) and its licence (“**Licence**”) granted under that legislation.

ENW’s distribution network carries electricity from the National Grid along power lines to consumers’ premises on behalf of the electricity supply companies who are ENW’s principal customers.

Under the terms of the Programme ENW will not provide any guarantee to the Issuer or NWEN in connection with the Programme, nor will it provide any security in respect thereof. In addition, ENW will not have any financial obligations under the Finance Documents save in respect of the NWEN/ENW Loan Agreement.

Source of Funds for Required Payments by the Issuer and NWEN

The payment by NWEN of interest, principal and other amounts under each Issuer/NWEN Loan Agreement and payments under any of the guarantees by the Guarantors will be the only sources of funds for the Issuer to make its required payments in respect of the Notes outstanding from time to time.

NWEN will be reliant upon (a) the payment by ENW of dividends, (b) payments under the NWEN/ENW Loan Agreement, (c) receipts under any NWEN hedging agreements, (d) payments for group relief by ENW in respect of tax losses surrendered by NWEN to ENW from time to time and (e) any other financial indebtedness raised by NWEN in accordance with the Finance Documents from time to time in order to meet its payment obligations in respect of interest and principal due to the Issuer under each Issuer/NWEN Loan Agreement.

NWEN (and, in turn, the Issuer) will be substantially reliant on the profitability of ENW in fulfilling their respective obligations under the Finance Documents and the Notes.

Risk Factors

There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. There are also certain risk factors that may affect ENW’s ability to pay dividends to NWEN or to fulfil its obligations under the NWEN/ENW Loan Agreement and which, therefore, may in turn affect NWEN’s ability to fulfil its obligations under the guarantee and/or under the Issuer/NWEN Loan Agreements. There are also investment considerations which are material for the purpose of assessing the risks associated with Notes issued under the Programme. These are set out under “*Risk Factors*” below and include:

- ENW’s revenue and profitability are substantially influenced by price controls currently determined by Ofgem every five years.
- ENW’s revenues are linked to RPI which may affect profitability if inflation rises ahead of RPI.
- Notes may not be a suitable investment for all investors.

Classification

Any Notes issued under the Programme will be issued in series, with each series belonging to one of two classes, unwrapped Notes or wrapped Notes.

Financial Guarantor(s)

The Issuer shall arrange for Financial Guarantors to issue financial guarantees (each, a “**Financial Guarantee**”) in favour of The Law

	<p>Debenture Trust Corporation p.l.c as the note trustee (the “Note Trustee”) (on behalf of the Noteholders) in respect of wrapped Notes which may be issued under the Programme.</p> <p>Such Financial Guarantors will unconditionally and irrevocably guarantee the scheduled payment of interest and principal (as adjusted for indexation, as applicable, but excluding certain other amounts) in respect of such wrapped Notes.</p>
Arranger	HSBC Bank plc.
Joint Lead Managers	Barclays Bank PLC, HSBC Bank plc and The Royal Bank of Scotland plc for the first issue of Notes on or around the Programme Date and/or any other lead manager(s) appointed from time to time with a respect to particular issues of Notes under the Programme.
Dealers	Barclays Bank PLC, HSBC Bank plc and The Royal Bank of Scotland plc together with any other Dealer(s) appointed from time to time by the Issuer and NWEN either generally or for a particular issue under the Programme.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency if the Issuer, NWEN and the relevant Dealer(s) so agree.
Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer subject to applicable laws.
Issue Price	Notes may be issued at their principal amount or at a discount or premium to their principal amount. Partly paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Interest	Unless otherwise specified in the Final Terms, any Notes issued under the Programme will be interest-bearing and interest will be calculated on the principal amount outstanding of the Notes. Interest will accrue at a fixed or floating rate (plus, in the case of index-linked Notes, amounts in respect of indexation) or on a zero-coupon basis, in each case as specified in the relevant Final Terms.
Form of Notes	Each Tranche of Notes will be issued in bearer form (“ Bearer Notes ”) or registered form (“ Registered Notes ”). Registered Notes will not be exchangeable for Bearer Notes.
Interest Payment Dates	Interest in respect of Notes will be payable semi-annually or annually in arrear (or, in each case, as otherwise specified in the relevant Final Terms) (each such date of payment being an “ Interest Payment Date ”).
Payment Dates	20 June and 20 December in each year, provided that if such date in any year is not a Business Day (being a day on which, <i>inter alia</i> , commercial banks and foreign exchange markets settle payments generally in London or the relevant local financial centre), the relevant Payment Date shall be the next following Business Day (each such date of payment being a “ Payment Date ”)
Redemption	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity 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,

	in each case as set out in the applicable Final Terms.
Early Redemption	Except as provided in “Redemption” below, Notes will be redeemable at the option of the Issuer prior to maturity (i) for tax reasons, (ii) upon certain index events (relating to a change in the relevant index or such index ceasing to be published) or (iii) in the event that NWEN elects to repay or prepay the corresponding Issuer/NWEN Loan Agreement.
Denomination of Notes	Subject to any applicable laws or regulations, Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer. The Notes will be subject to a minimum of €1,000 where listed on a regulated market.
Taxation	Payments in respect of Notes made by the Issuer or under the relevant Financial Guarantee or payments made under each Issuer/NWEN Loan Agreement will be made without withholding or deduction for, or on account of, taxes, unless and save to the extent that the withholding or deduction of such is required by law. In that event: (a) in the case of the Issuer and, to the extent there is a claim under the relevant Financial Guarantee, the relevant Financial Guarantor, it will make payments subject to the appropriate withholding or deduction. No additional amounts will be paid by the Issuer or the Guarantors or, as the case may be, by the relevant Financial Guarantor in respect of any withholdings or deductions, unless otherwise specified in the applicable Final Terms or, in the case of the relevant Financial Guarantor, the Financial Guarantee; or (b) in the case of NWEN, it shall (i) account to the appropriate tax authority for the amount so required to be withheld or deducted and (ii) pay such additional amounts as shall be necessary in order that the net amounts receivable by the Issuer under each Issuer/NWEN Loan Agreement after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable under that Issuer/NWEN Loan Agreement.
Status of the Notes	The Notes will constitute secured obligations of the Issuer. Each tranche of Notes will rank <i>pari passu</i> without preference or priority in point of security amongst themselves.
Security	The obligations of each of the Issuer, NWEN and SPV HoldCo will, on and from the Programme Date, be secured pursuant to the security documents (the “ Security Documents ”) in favour of the Security Trustee, who will hold the benefit of such security on trust for the Secured Creditors (including the Note Trustee on behalf of the Noteholders) on the terms of the STID. Neither ENW, the ENW Issuer nor any of ENW’s Subsidiaries will grant Security pursuant to the Security Documents.
Covenants	The representations, warranties, covenants (positive, negative and financial) and events of default which will apply to, <i>inter alia</i> , the Notes will be set out in the Common Terms Agreement (as defined in Chapter 13 “ <i>Overview of the Financing Agreements</i> ”) and, in respect of certain representations, warranties and covenants relating to tax matters, in the Tax Deed of Covenant, in each case dated on or around the Signing Date.

Status of Financial Guarantees in relation to Notes	Each Financial Guarantee issued in favour of the Note Trustee in relation to a tranche of Notes will be a direct, unsecured obligation of the relevant Financial Guarantor which will rank at least <i>pari passu</i> with all other unsecured obligations of such Financial Guarantors, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application, pursuant to which the relevant Financial Guarantor will guarantee the timely payment of interest and principal (other than certain excepted amounts) on the relevant Tranche of Notes.
Authorised Credit Facilities	NWEN will be permitted to incur financial indebtedness under authorised credit facilities (including the capex facility) with an authorised credit provider (“ Authorised Credit Facility Provider ”) subject to any applicable financial covenants and the terms of the Common Terms Agreement (“ CTA ”) and the security trust and intercreditor deed (“ STID ”).
Listing	<p>Prior to each Issue Date, application will be made to admit Notes issued under the Programme on such Issue Date to the Official List and to admit them to trading on the regulated market of the London Stock Exchange plc’s Regulated Market. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series.</p> <p>Unlisted Notes may also be issued.</p>
Expenses	The expenses of the initial issue are expected to be £6.8 million.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Ratings	As at the Programme Date, it is expected that the initial ratings of any unwrapped Notes (and the underlying rating of any wrapped Notes) will be at least BBB (or its equivalent by the Rating Agencies). The ratings assigned to any wrapped Notes will be based on the higher of the debt rating of the relevant Financial Guarantor and the shadow ratings, and reflect only the views of the Rating Agencies.
Governing Law	English law.
Investor Information	The Issuer intends to provide post-issuance information. The Issuer or NWEN may deliver any information pursuant to the CTA to a Secured Creditor by posting it on to the designated website, which will be updated annually or semi-annually, in accordance with the terms of the CTA.
Auditors	Deloitte LLP.

CHAPTER 3 OVERVIEW OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the Conditions of any particular Tranche of Notes, the applicable Final Terms.

Description	Programme.
Programme Size	Up to £1,000,000,000 (or its equivalent in certain other currencies) aggregate nominal amount of Notes and bank debt outstanding at any time.
Issuer/NWEN Loan Agreements	The proceeds of each issuance will be on-lent by the Issuer to NWEN pursuant to an Issuer/NWEN loan agreement to be dated on or around the Signing Date between, <i>inter alios</i> , NWEN, the Issuer and the Security Trustee (the “ Issuer/NWEN Loan Agreements ”).
Classification	<p>Any Notes issued under the Programme will be issued in Series, with each Series belonging to one of two Classes, Unwrapped Notes or Wrapped Notes. Each Class comprises or will comprise one or more Sub-Classes of Notes with each Sub-Class pertaining to, among other things, the currency, interest rate and maturity date of the relevant Sub-Class and each Sub-Class can be issued in one or more Tranches, the specific terms of each Tranche of a Sub-Class being identical in all respects, save for the issue dates, interest commencement dates and/or issue prices, to the terms of the other Tranches of such Sub-Class.</p> <p>The specific terms of each Tranche of Notes of each Series will be set out in the applicable Final Terms for such Series.</p>
Issue Dates	As specified in the relevant Final Terms (each an “ Issue Date ”). There will be an issue of Notes under the Programme on or around the date of establishment of the Programme which is expected to be on or around 21 July 2009 (the “ Programme Date ”).
Signing Date	The Finance Documents will be signed on 17 July 2009 (the “ Signing Date ”).
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Certain Restrictions	<p>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 including the restrictions applicable at the date of this Prospectus. See Chapter 18 “<i>Subscription and Sale</i>”.</p> <p>Notes having a maturity of less than one year from the date of issue will constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see Chapter 18 “<i>Subscription and Sale</i>”).</p>

Currencies	<p>Sterling, euro, U.S. dollars, yen or, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the Relevant Dealer(s).</p>
Redenomination	<p>The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination will be contained in Condition 19 (<i>European Economic and Monetary Union</i>), as amended by the applicable Final Terms.</p>
Maturities	<p>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 Relevant Currency (as defined in the relevant Final Terms).</p>
Issue Price	<p>Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.</p>
Interest	<p>Unless otherwise specified in the Final Terms, any Notes issued under the Programme will be interest-bearing and interest will be calculated on the Principal Amount Outstanding (as defined in the Conditions). Interest will accrue at a fixed or floating rate (plus, in the case of index-linked Notes, amounts in respect of indexation) as specified in the relevant Final Terms. Interest will be calculated on the basis of such Day Count Fraction (as defined in the Conditions) as may be agreed between the Issuer and the relevant Dealer as specified in the relevant Final Terms.</p>
Form of Notes	<p>Each Tranche of Notes will be issued in bearer form (“Bearer Notes”) or registered form (“Registered Notes”). Registered Notes will not be exchangeable for Bearer Notes.</p>
Fixed Rate Notes	<p>Fixed Rate Notes will bear interest at a fixed rate of interest.</p>
Floating Rate Notes	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Relevant 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 (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer. <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Tranche of Floating Rate Notes.</p>
Index-Linked Notes	<p>Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Index-Linked Notes may be calculated by reference to the UK Retail Price Index or such other</p>

	<p>index and/or formula as the Issuer and the relevant Dealer may agree (as specified in the relevant Final Terms) (such index with respect to a particular Series of Index-Linked Notes being the “Index”).</p>
Interest Payment Dates	<p>Interest in respect of Notes will be payable semi-annually or annually in arrear (or, in each case, as otherwise specified in the relevant Final Terms) (each such date of payment being an “Interest Payment Date”).</p>
Payment Dates	<p>20 June and 20 December in each year, provided that if such date in any year is not a Business Day the relevant Payment Date shall be the next following Business Day (each such date of payment being a “Payment Date”).</p>
Redemption	<p>The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, or for taxation reasons if applicable, or following an Event of Default (as defined below)) 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, in each case as set out in the applicable Final Terms.</p>
Redemption for Index Event, Taxation or Other Reasons	<p>Index Events: Upon the occurrence of certain index events (being broadly either (a) that the relevant Index ceases to be published or (b) that fundamental changes having been made to it, and (in either case) a gilt-edged market maker or other adviser selected by the Issuer and approved by the Note Trustee (the “Indexation Adviser”) has not been able to recommend any amendment or substitution of the Index to the Issuer and such circumstances are continuing, the Issuer may, upon giving not more than 60 nor less than 30 days’ notice in accordance with the Conditions redeem all (but not some only) of the Indexed Notes of all Sub-Classes on any Interest Payment Date at their Principal Amount Outstanding (adjusted in accordance with Condition 7(b) (<i>Application of the Index Ratio</i>)) plus accrued but unpaid interest. No single Sub-Class of Indexed Notes may be redeemed in these circumstances unless all the other Classes and Sub-Classes of Indexed Notes are also redeemed at the same time and the Issuer has discharged all amounts due and payable to any Financial Guarantor that has issued a Financial Guarantee in respect of such Class or Sub-Class of Indexed Notes.</p> <p>Taxation Events: In the event of the Issuer becoming obliged to make any deduction or withholding from payments in respect of the Notes (although the Issuer will not be obliged to pay any additional amounts in respect of such deduction or withholding), the Issuer may (a) use its reasonable endeavours to arrange for the substitution of another company incorporated in an alternative jurisdiction (subject to the consent of the Note Trustee and any Financial Guarantor and certain other conditions) and, failing this, (b) redeem (subject to certain conditions) all (but not some only) of the Notes at their Principal</p>

Amount Outstanding (plus, in the case of Index-Linked Notes, amounts in respect of indexation) together with accrued but unpaid interest. No single Sub-Class of Notes may be redeemed in these circumstances unless all the other Sub-Classes of the Notes are also redeemed in full at the same time and the Issuer has discharged all amounts due and payable to any Financial Guarantor that has issued a Financial Guarantee in respect of such Sub-Class of Notes.

Prepayment of Issuer/NWEN Loan Agreement: In the event of NWEN electing to prepay an advance (in whole or in part) under any Issuer/NWEN Loan Agreement, the Issuer shall be obliged to redeem all or the relevant part of the corresponding Sub-Class of Notes or the proportion of the relevant Sub-Class which the proposed prepayment amount bears to the amount of the relevant advance under that Issuer/NWEN Loan Agreement and, if such Notes are Wrapped Notes, to pay any and all amounts due to the relevant Financial Guarantor under the Finance Documents in respect of such Wrapped Notes. Any early voluntary redemption of fixed rate and index-linked Notes will be based on the sterling bond market convention for early voluntary redemption at the option of the Issuer (commonly known as “Spens”). See Condition 8(b) (*Redemption at the Option of the Issuer*). To the extent that the Wrapped Notes are redeemed in this manner, then the Financial Guarantee Fee would be calculated at this point in time and then discounted at an agreed discount rate for payment upon redemption.

Notes having a maturity of less than one year from the date of issue are subject to restrictions on their denomination and distribution.

The Financial Guarantors will not guarantee any of the amounts payable by the Issuer upon an early redemption, and their obligation will be to continue to make payments in respect of the Notes pursuant to the relevant Financial Guarantee on the dates on which such payments would have been required to be made had such early redemption not occurred.

The Issuer shall only be permitted to pay early redemption amounts to the extent that in so doing it will not cause an Event of Default to occur or subsist.

Denomination of Notes

Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that (i) the minimum denomination of each Note admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) and (ii) in any other case, the minimum denomination of each Note will be such 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 Currency. The “**Specified Denomination**” will be specified in the Final Terms.

Initial Delivery of Notes:

On or before the Issue Date for each Tranche of Notes, if the Global

Note is intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations, the Global Note will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the Issue Date for each Tranche, if the Global Note is not intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations, the Global Note representing Bearer Notes or the Note Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg.

Taxation

Payments in respect of Notes made by the Issuer or under the relevant Guarantee or the relevant Financial Guarantee or payments made under each Issuer/NWEN Loan Agreement will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any jurisdiction, unless and save to the extent that the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event and to that extent: (a) in the case of the Issuer and to the extent there is a claim under the relevant Guarantee, the relevant Guarantor and, to the extent there is a claim under the relevant Financial Guarantee, the relevant Financial Guarantor, it will make payments subject to the appropriate withholding or deduction. No additional amounts will be paid by the Issuer or the Guarantors or, to the extent there is a claim under the relevant Financial Guarantee, by the relevant Financial Guarantor in respect of any withholdings or deductions, unless otherwise specified in the applicable Final Terms or, in the case of the relevant Financial Guarantor, the relevant Financial Guarantee; or (b) in the case of NWEN, it shall (i) account to the appropriate tax authority for the amount so required to be withheld or deducted and (ii) pay such additional amounts as shall be necessary in order that the net amounts receivable by the Issuer under each Issuer/NWEN Loan Agreement after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable under that Issuer/NWEN Loan Agreement.

The Guarantors and Financial Guarantors shall not be required under the Guarantees and Financial Guarantees to pay any present or future taxes, duties, assessments or additional amounts in respect of the Notes, and payments under any Financial Guarantee in respect of the Notes will be made by the relevant Financial Guarantor subject to the appropriate withholding or deduction.

Status of the Notes

The Notes will constitute secured obligations of the Issuer. Each Tranche of Notes will rank *pari passu* without preference or priority in point of security amongst themselves.

The Notes represent the right of the holders of such Notes to receive interest and principal payments from (a) the Issuer in accordance with the terms and conditions of the Notes (the “**Conditions**”) and the trust deed (the “**Note Trust Deed**”) which will be entered into on or around the Signing Date by, *inter alios*, the Issuer and the Note Trustee in connection with the Programme and (b) to the extent that any Wrapped

	Notes are issued, the relevant Financial Guarantor in certain circumstances in accordance with the relevant Financial Guarantee.
Security	The obligations of each of (i) the Issuer under the Notes and each Finance Document to which it is a party, (ii) NWEN under its guarantee and under each Issuer/NWEN Loan Agreement and each other Finance Document to which it is a party and (iii) SPV HoldCo under its guarantee and each Finance Document to which it is a party, will be secured pursuant to the Security Documents (with effect from the Programme Date) in favour of the Security Trustee, who will hold the benefit of such security on trust for the NWEN Secured Creditors on the terms of the STID. None of ENW, ENW Issuer nor any of its Subsidiaries will grant Security pursuant to the Security Documents.
Covenants	The representations, warranties, covenants (positive, negative and financial) and events of default which will apply to, <i>inter alia</i> , the Notes will be set out in the Common Terms Agreement (as defined in Chapter 13 “ <i>Overview of the Financing Agreements</i> ”) and, in respect of certain representations, warranties and covenants relating to tax matters, in the Tax Deed of Covenant, in each case dated on or around the Signing Date. See Chapter 13 “ <i>Overview of the Financing Agreements - Common Terms Agreement</i> ” and “ <i>Tax Deed of Covenant</i> ”.
Status of Financial Guarantees in relation to Notes	Each Financial Guarantee issued in favour of the Note Trustee in relation to a Tranche of Notes will be a direct, unsecured obligation of the relevant Financial Guarantor which will rank at least <i>pari passu</i> with all other unsecured obligations of such Financial Guarantors, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application, pursuant to which the relevant Financial Guarantor will guarantee the timely payment of interest and principal (other than the FG Excepted Amounts) on the relevant Tranche of Notes.
Financial Guarantee Fee	A Financial Guarantee Fee will be payable to Financial Guarantors in respect of any Wrapped Notes issued under the Programme from time to time.
Reimbursements	The Issuer will be obliged, pursuant to the terms of a guarantee and reimbursement deed to be entered into with the relevant Financial Guarantor in respect of any Tranche or Series of Notes, <i>inter alia</i> , to reimburse such Financial Guarantors in respect of payments made by it under the relevant Financial Guarantee of such Tranche or Series of Notes. Each Financial Guarantor will be subrogated to the rights of the relevant Noteholders against the Issuer in respect of any payments made under such Financial Guarantees.
Authorised Credit Facilities	NWEN will be permitted to incur Financial Indebtedness under Authorised Credit Facilities with an authorised credit provider (“ Authorised Credit Facility Provider ”) subject to any applicable financial covenants and the terms of the CTA and the STID. Each Authorised Credit Facility Provider will be party to the CTA and the STID. On or around the Signing Date, the Capex Facility Providers will be Authorised Credit Facility Providers.

NWEN/ENW Loan Agreement

Pursuant to a £100,000,000 loan facility (as increased from time to time) entered into between NWEN as lender and ENW as borrower on the Signing Date (the “**NWEN/ENW Loan Agreement**”), NWEN will advance loans to ENW from time to time. The first advance under the NWEN/ENW Loan Agreement will be made on the Signing Date and is expected to be in the amount of £46.5 million. It is expected that, on the Programme Date, a further advance of £23.5 million will be made by NWEN to ENW under the NWEN/ENW Loan Agreement. Under the CTA, NWEN will covenant to ensure that, at all times, the principal amount outstanding under the NWEN/ENW Loan Agreement is equal to or greater than an amount equal to 17.5 per cent. of the Senior Debt outstanding under the Programme (without double counting to the extent any NWEN Programme Hedging Agreements have been entered into in respect of any Senior Debt).

Source of Funds for Required Payments by the Issuer and NWEN

The payment by NWEN of interest, principal and other amounts under each Issuer/NWEN Loan Agreement and payments under any of the guarantees by the Guarantors will be the only sources of funds for the Issuer to make its required payments in respect of the NWEN Senior Debt (including in respect of interest and principal under the Notes outstanding from time to time).

NWEN will be reliant upon (a) the payment by ENW of dividends, (b) payments under the NWEN/ENW Loan Agreement, (c) receipts under the NWEN Hedging Agreements (if any), (d) payments for group relief by ENW in respect of tax losses surrendered by NWEN to ENW from time to time as governed by the Tax Deed of Covenant and (e) any other Financial Indebtedness raised by NWEN in accordance with the Finance Documents from time to time, in order to meet its payment obligations in respect of interest and principal due to the Issuer under the Issuer/NWEN Loan Agreements.

Termination of Hedging Agreements and DSR Liquidity Facility Agreement

The NWEN Hedging Agreements, the Issuer Hedging Agreements and any DSR Liquidity Facility Agreement entered into by NWEN shall each have limited insolvency related termination events, with a view to such transactions becoming terminable by the relevant NWEN Hedge Counterparty, Issuer Hedge Counterparty or DSR Liquidity Facility Provider (as the case may be) if an enforcement notice is delivered in respect of the NWEN Senior Debt.

Listing

Prior to each Issue Date, application will be made to admit Notes issued under the Programme on such Issue Date to the Official List and to admit them to trading on the London Stock Exchange plc’s Regulated Market. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series.

Unlisted Notes may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

Ratings

It is expected that the initial ratings of any Unwrapped Notes (and the underlying rating of any Wrapped Notes) will be at least BBB (or its equivalent). The ratings assigned to any Wrapped Notes will be based

on the higher of the debt rating of the relevant Financial Guarantor and the Shadow Ratings, and reflect only the views of the Rating Agencies.

Governing Law

The Notes, the Financial Guarantees and the other Finance Documents will be governed by, and construed in accordance with, English law.

Selling Restrictions

There are restrictions on the offer, sale and transfer of the Notes in, *inter alia*, the United States and the United Kingdom and such other restrictions as may be required in connection with the offering and sale of a particular Sub-Class of Notes. See Chapter 18 “*Subscription and Sale*”.

The Issuer and Guarantors are Category 1 for the purposes of Regulation S under the Securities Act.

Purchase of Notes

The Issuer will be permitted to purchase Notes in the open market. Upon such purchase, such Notes will be surrendered and cancelled (and a corresponding amount of the advances made under the relevant Issuer/NWEN Loan Agreement(s) will be treated as prepaid).

Members of the NWEN Financing Group and their Holding Companies will also be permitted to purchase Notes on the open market although the Conditions will limit their voting rights with respect to such Notes.

Investor Information

The Issuer intends to provide post-issuance information. The Issuer or NWEN may deliver any information pursuant to the CTA to a Secured Creditor by posting it onto the Designated Website, which will be updated annually or semi-annually, in accordance with the terms of the CTA.

CHAPTER 4

RISK FACTORS

The Issuer and the Guarantors believe that the following factors may affect their ability to fulfil their obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer and the Guarantors are not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer and the Guarantors believe may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer and the Guarantors believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantors to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer and the Guarantors do not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Risk Factors relating to the Electricity Industry and ENW

The Notes represent secured debt obligations of the Issuer which are supported by secured guarantees from each of SPV HoldCo and NWEN. However, prospective investors should note that the Issuer, SPV HoldCo and NWEN are all special purpose entities which do not conduct any business operations. The sole operating company within the NWEN Financing Group is ENW which, for regulatory reasons, will not provide any guarantee or any security in connection with the Programme and Secured Creditors will have no recourse to it under the Programme (see “*Holding company structure and limited recourse to ENW*” below). The Issuer’s ability to make payments under the Notes is dependent on NWEN’s ability to make payments under the Issuer/NWEN Loan Agreements which in turn, is dependent on ENW and its ability to generate sufficient income through its regulated electricity distribution business to pay dividends to NWEN and/or to make payments under the NWEN/ENW Loan Agreement.

The UK electricity distribution industry is subject to extensive legal and regulatory controls and ENW is required to comply with all applicable laws, regulations and regulatory standards, some of which are described in Chapter 12 “*Regulation of Electricity Distribution in Great Britain*”. The application of these laws, regulations and standards and the policies of Ofgem could have a material adverse impact on the business, financial condition or results of operations of ENW, but generally provide a recognised, stable and protected operating environment.

In this context, in particular, investors should be aware of the following matters:

The Licence

In the electricity industry, the licences granted to distribution network operators (“**DNOs**”) all have a similar structure in that each licence comprises a set of standard licence conditions and a set of special licence conditions (one of which is the price control for the specific licensee). Any amendment to a special licence condition will usually reflect negotiations between Ofgem and the specific licensee, although, as with the periodic price control review, negotiations may be conducted concurrently with all licensees and common principles may be applied. In the case of the standard conditions, modifications involve negotiations between Ofgem and all DNOs, and can only be implemented if the modification is supported by a specified majority of DNOs. There are also examples of a specific DNO having the benefit of a waiver from Ofgem of the requirements of a specific standard condition.

Modification of the Licence

A licence can be modified by Ofgem either with the agreement of the licensee (or, in the case of standard conditions, with the agreement of the requisite proportion of licensees) or following reference to the Competition Commission for a decision on public interest grounds.

As part of a scheme for the transfer of property, rights and liabilities following an Energy Administration Order (an “**Energy Transfer Scheme**“), the Energy Administrator has the ability to make modifications to the licence of the existing licensee. (see “*Energy Administration Orders*” below)

Termination of the Licence

While a licence is for an indefinite period, it can be terminated on 25 years’ notice given by the Secretary of State. A licence can also be revoked in certain circumstances, including where the licensee fails to comply with an enforcement order made by Ofgem.

Licence enforcement, breaches and sanctions

Breach of a licence condition can attract fines of up to ten per cent. of the licensed company’s annual turnover in the year preceding the date on which Ofgem gives notice of its proposal to impose a penalty. Ofgem has published a statement of the policy that it intends to apply to the imposition of any penalty and the determination of its amount. Any such penalty can be appealed, on procedural grounds only, to the High Court. In practice, many regulatory issues arising between licensees and Ofgem are settled without the need to resort to formal proceedings. However, where Ofgem is satisfied that a licensee is in breach of the terms of its licence, it has powers to secure compliance by means of an enforcement order. If a licensee does not comply with the order, as well as potentially giving rise to third party action, compliance can be enforced by the courts and Ofgem may revoke the licence.

ENW’s Licence (like those granted to other DNOs) contains financial ringfencing provisions (see Chapter 11 “*Ring Fencing*”) under which Ofgem can also make an order preventing either payment of a dividend (if it is not satisfied that a licensee has sufficient available resources) or intragroup payments or loans where these are not on an arm’s-length basis on normal commercial terms. The Licence does, however, state that any repayment of, or payment of interest on, an intragroup loan (such as the NWEN/ENW Loan Agreement) which is (i) entered into on an arms’ length basis on normal commercial terms and applied for a “Permitted Purpose”, and (ii) entered into prior to the date of the relevant event giving rise to the payment lock-up, would be permitted under the Licence, provided that any such payment is not made earlier than the original due date for payment in accordance with its terms.

Ofgem can intervene in order to address *ex-post facto* breaches of regulation, in particular, with regard to licence conditions. In particular, Ofgem monitors the quality of performance and, in appropriate cases, will take enforcement action. For example in 2007 Ofgem found subsidiaries of CE Electric UK in breach of their electricity distribution licence conditions for misreporting quality of service data. Ofgem required a £2.1 million reduction in the price control revenue of the company, in addition to the £5.5 million reduction already ordered to correct the financial impact of the misreporting.

The modification, termination, non-renewal or transfer of the Licence could have a material adverse impact on ENW’s ability to pay dividends and its ability to meet its obligations (including the payment of principal and interest) under the NWEN/ENW Loan Agreement and, therefore, NWEN’s ability to meet its obligations under the Issuer/NWEN Loan Agreements and in turn, the Issuer’s ability to meet its obligations (including the payment of principal and interest) under the Notes.

Price controls and changing regulatory obligations could adversely affect profitability

The revenue and profitability of ENW’s electricity distribution businesses (the “**regulated business**“) are substantially influenced by price controls which are currently determined every five years by Ofgem. The

price control review for the regulated business covering the Regulatory Period commencing on 1 April 2005 was determined by Ofgem in November 2004 and covers the period up to 31 March 2010. ENW accepted this determination. A DNO has the right to reject an adverse price determination, in which event Ofgem may ultimately refer the matter to the Competition Commission for determination. Pending final determination of the price control conditions for any Regulatory Period in light of the Competition Commission's report, the DNO's revenues continue in accordance with the determination made in respect of the previous Regulatory Period.

Scope to re-open these price controls within the Regulatory Period is limited. Specific re-opening provisions were made in relation to the electricity distribution price control effective from 1 April 2005, in relation to uncertain costs associated with specified provisions of the Electricity Safety, Quality and Continuity Regulations 2002 (or amending/replacement regulations), the New Roads and Street Works Act 1991 and the Traffic Management Act 2004. ENW applied for additional revenues to cover increased costs associated with tree-cutting and rectifying inappropriate clearance distances, both horizontal and vertical, for some of its overhead line assets. Ofgem wrote to ENW on 31 October 2008 confirming its intention to allow ENW to secure an additional £26.9 million (2007/08 prices) of revenue on an NPV basis, with £10.7 million being allowed as increased revenue in the regulatory year 2009/2010 alone.

Where there are other significant increases in costs as a result of changing obligations or circumstances, ENW can seek to have these costs recognised as part of the next distribution price control review ("DPCR5") negotiations. For example, ENW has started to invest in fibre optic data network capacity to respond to the planned removal of service provision by British Telecom. ENW has received a non-binding, but positive response from Ofgem regarding the inclusion of this investment in the regulatory asset base in DPCR5. However, there can be no assurance that future increased costs will receive a similar response.

ENW might not secure a sustainable outcome at the DPCR5 price review

The price control review process takes approximately two years to complete. The formal negotiations in relation to DPCR5 commenced with the submission by ENW of a high-level business plan in August 2008. A detailed business plan was submitted in February 2009, and the process will be completed when ENW decides to accept or reject Ofgem's final proposals in December 2009. These final proposals, if accepted will then be enacted through changes to the Licence. An adverse price determination may occur as a result of a number of factors, including an inadequate allowed cost of capital or unrealistic regulatory assumptions concerning operating expenses, required capital expenditure and revenue forecasts. As outlined above, ENW has the right to reject an adverse price determination. If Ofgem refers the price determination for any Regulatory Period to the Competition Commission, the determination in respect of the previous Regulatory Period shall apply pending a final determination in light of the Competition Commission's report.

In order to maximise the likelihood that price control reviews end in a positive pricing determination, ENW has a robust process in place for undertaking and managing the price control review which reports regularly to ENW's board of directors. ENW has developed a thorough regulatory strategy and is engaging with Ofgem to secure a sustainable outcome. Notwithstanding these measures, should there be a negative pricing review, this may have an adverse effect on ENW's ability to pay dividends and/or service its obligations under the NWEN/ENW Loan Agreement, which in turn may ultimately affect the Issuer's ability to meet its obligations under the Notes and the other Finance Documents to which it is a party.

Risk that ENW's charging policies are judged to be anti-competitive

As competition in the provision of connections to distribution systems and in the ownership of new electricity networks is in the early stages of development, there is a risk that ENW's charging statements, deemed appropriate in a monopoly environment, are viewed by some affected parties as being out of step with the development of the new market, leading to a potential for challenge under United Kingdom competition law.

ENW is working with the industry and Ofgem on the development of a common distribution charging methodology for use of system charges which will reflect the requirements on DNOs under a licence not to restrict, distort or prevent competition. Ofgem has made a collective licence modification which takes effect on 1 July 2009 and which requires that the common charging methodology should take effect from 1 April 2010.

As a concurrent regulator with the Office of Fair Trading (“OFT”), Ofgem has powers under the Competition Act 1998 to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and the electricity sector in Great Britain. These powers include the power to impose fines of up to 10 per cent. of worldwide group-wide turnover for the business year preceding the finding of the infringement. Any agreement which infringes the Competition Act 1998 may be void and unenforceable. Breaches of the Competition Act 1998 may also give rise to claims for damages from third parties. On 20 January 2009, Ofgem announced that, pursuant to its powers under Section 18 of the Competition Act 1998, it had opened an investigation into allegations of abuse of a dominant position by ENW. The allegations relate to the terms imposed by ENW on independent networks connecting to ENW’s pre-existing network, and whether these terms foreclose the market to competitors in the area in which ENW is the incumbent DNO. The context within which the allegations have been made is an Ofgem requirement that all DNOs should introduce charging arrangements that are specifically focused on independent distribution network operators (“IDNOs”). Consultations are ongoing between all DNOs, IDNOs and Ofgem to seek a way forward for the implementation of charging structures which might better reflect costs. ENW has submitted a proposal for a charging modification to take effect from 1 April 2009 until the common charging methodology is implemented. Ofgem is currently considering this modification.

Market investigations

Ofgem has concurrent powers with the OFT (and, in certain limited circumstances, the Secretary of State) in respect of market investigation references to the Competition Commission in relation to the gas and electricity markets where it has reasonable grounds for suspecting that any feature or features of a market prevent, restrict or distort competition. Following a reference, it would be for the Competition Commission to decide whether competition was prevented, restricted or distorted and (if so) what, if any, action should be taken to remedy, mitigate or prevent the adverse effect on competition or any detrimental effect on consumers arising from the adverse effect on competition.

Risk that RPI movements and cost-base variations could adversely affect profitability

The revenues of ENW’s electricity distribution business are linked to RPI. There is, therefore, a risk that ENW’s cost base may increase at a faster rate than RPI (due to inflation as measured by RPI being less than the rate of inflation on components of ENW’s cost base). If that were to happen, ENW’s profitability would be reduced and, if the differential between RPI-linked inflation and cost-base inflation were sufficiently marked, it could put pressure on ENW’s financial position.

Failure to deliver the capital investment programmes could adversely affect profitability

ENW requires significant capital expenditure for additions to, or replacement of, plant and equipment for its facilities and networks. The price controls set by Ofgem take into account the level of capital expenditure expected to be incurred during the relevant Regulatory Period and the associated funding costs. Historically, ENW has financed the expenditure from cashflow from operations and from debt financing. There can be no assurance that cashflow from operations will not decline, nor that additional debt financing or other sources of capital will be available to meet these requirements.

If ENW, via its Services Providers (as defined below), is unable to deliver the capital programme at expected expenditure levels, or is unable to secure the expected capital efficiencies associated with the capital

programme, or the programme falls behind schedule for other reasons, ENW's profitability may suffer. Ofgem may factor such failure into future price reviews. In addition, ENW's ability to meet regulatory and environmental performance standards could be adversely affected by such failure, which may result in fines or other sanctions.

Failure to deliver operational performance or cost savings implicit in the regulatory review could adversely affect profitability

Operating cost savings to be achieved during the current five-year regulatory period are implicit in the regulatory review. To assist the achievement of these operating cost savings, a "target cost" based Asset Services Agreement ("ASA") is in place with United Utilities Electricity Services Limited ("UUES") as asset service provider (in such capacity the "Asset Services Provider") (see Chapter 9 "ENW Business Description - Asset Services Agreement"). If the operating cost savings were not achieved by UUES or, in the case of ENW's own direct operating costs, ENW budgets were not achieved, then ENW's profitability could suffer. Similarly, if operational performance were to deteriorate, the effect of the price control licence conditions currently in force could be to reduce ENW's revenues derived from charges for the distribution of electricity, and might also result in the Regulator making a less favourable determination of revenues and prices for the next Regulatory Period. In any such event, ENW's profitability would suffer (see Chapter 9 "ENW Business Description" - "Asset Services Agreement").

Failure of the Asset Services Provider or of the IT Services Provider (together, the "Services Providers") to deliver contract performance

UUES has comprehensive contractual obligations and performance targets under the ASA relating to capital delivery, connections, operations and maintenance, fixed fee and commercial income services. Delivery of these obligations and performance targets is critical to ENW performing under its legal and regulatory obligations and meeting its forecast profitability. ENW and UUES have developed appropriate governance to monitor UUES performance, which is led by a joint committee, chaired by ENW and comprising senior management of both ENW and UUES. This committee is supported by monthly service area performance reviews and by monthly risk, health and safety forums.

Both UUES and ENW are currently dependent for IT services upon an outsource service contractor (the "IT Services Provider") engaged by United Utilities Water PLC ("U UW") which has for many years provided the IT services upon which the U UW businesses are reliant. ENW is reliant upon U UW for the enforcement of the IT Services Provider's contractual obligations. Inadequate performance by the IT Services Provider and/or ineffective contractual enforcement by U UW could adversely affect the quality of service provided by UUES and, ultimately, the profitability of ENW.

Environmental regulations could increase ENW's costs and adversely affect profitability

Various environmental protection and health and safety laws and regulations govern the electricity distribution business. These laws and regulations establish, amongst other things, standards for quality of electricity supply, which affect ENW's operations. In addition, ENW is required to obtain various environmental permissions from regulatory agencies for its operations. ENW endeavours to comply with all regulatory standards. However, historically, while there has been no compliance failure which has had a material adverse consequence, ENW has not been in total compliance and there can be no assurance in the future that it will be in total compliance at all times with these laws and regulations. Nevertheless, ENW maintains good relationships with all environmental regulators, and works to industry agreed codes of practice and standards. Should ENW fail to comply with these laws and regulations, it could incur cost in bringing the business into compliance or face fines imposed by the courts or otherwise face sanctions imposed by Ofgem or another regulator.

Environmental laws and regulations are complex and change frequently. These laws, and their enforcement, have tended to become more stringent over time. Although ENW believes it has taken into account the future capital and operating expenditure necessary to achieve and maintain compliance with current and known future changes in laws and regulations, it is possible that new or stricter standards could be imposed, or current interpretation of existing legislation amended, which will increase ENW's operating costs by requiring changes or modifications to the assets in order to comply with any new environmental laws and regulations. Although these costs may be recoverable in part through the regulatory process of setting appropriate future price limits, there can be no assurance of this. Therefore, there can be no assurance that the costs of complying with, or discharging its liabilities under, current and future environmental and health and safety laws will not adversely affect its profitability or financial position.

Service interruptions could adversely affect profitability

In addition to the capital investment programmes, ENW's regulated business controls and operates the electricity distribution network and undertakes maintenance of the associated assets with the objective of providing a continuous service. Historically, there have been interruptions to the supply of services, such as the incident in January 2005 affecting Cumbria and Lancashire in north west England, when a storm and floods severely damaged the electricity network supply to 250,000 consumers, but the majority of interruptions relate to minor issues that are rectified promptly.

Nevertheless, the failure of a key asset could cause a more significant interruption to the supply of services (in terms of duration or number of consumers affected), which may have an adverse effect on ENW's operating results or financial position.

It is possible that some of the costs associated with service interruptions may be recoverable in part through future price reviews. ENW maintains insurance policies in relation to legal liabilities likely to be associated with these risks (see Chapter 9 "*ENW Business Description - Insurance*"), although there can be no assurance that all costs of any such claim would be covered or that coverage will continue to be available in the future.

Pension scheme obligations may require ENW to make additional contributions to the pension scheme which would reduce profitability

ENW participates in both defined benefit (closed to new members other than for people with "protected person" status) and defined contribution pension schemes.

The principal scheme is a defined benefit scheme and the assets are held in trust independent of ENW Group finances. The scheme was estimated to have a combined pre-tax deficit of £27.5 million as at 31 March 2009, compared to a pre-tax surplus of £41.5 million at 31 March 2008, on an IAS19 basis. The fund undertook a triennial valuation as at 31 March 2008, which identified a funding deficit of £107 million (assets of £843.4 million and liabilities of £950.4 million). The deficit repair plan has been agreed with the trustees of the scheme and ENW has now started additional payments to repair the funding deficit. A memorandum of understanding has also been agreed between ENW and the trustees of the scheme whereby they agree to review and, if agreed appropriate, to amend the schedules of contribution in the event of a material change in circumstances arising as a result of Ofgem making a decision to revise the current price control applicable to DNOs through the DPCR5 process. Currently, efficient pension contributions including a proportion of deficit repair contributions are recoverable through the price controls established by Ofgem. Any future increase in contributions to the scheme in excess of those recoverable through Ofgem price controls may have an impact on ENW's profitability.

Operating risk

Managing the ENW Group's businesses is dependent upon the ability to process a large number of transactions efficiently and accurately. Operational risk and losses can result from fraud, employee errors,

failure to properly document transactions or to obtain proper internal authorisation, failure to comply with regulatory requirements and business principles, resource shortages, equipment failures, natural disasters or the failure of external systems. Although the ENW Group has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is only possible to be reasonably, but not absolutely, certain that such procedures will be effective in controlling each of the operational risks faced by the ENW Group.

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

Energy Administration Orders

The Energy Act 2004 contains provisions enabling the Secretary of State or GEMA (with the permission of the Secretary of State) in certain circumstances (e.g. where ENW, or any other DNO is unable to, or is likely to be unable to, pay its debts) to apply to the court to secure that ENW's system of electricity distribution is and continues to be maintained and developed as an efficient and economical system. In such circumstances, the court may make an Energy Administration Order ("**EAO**") and appoint an Energy Administrator to ENW. The court may also make an EAO where it is satisfied that, on petition by the Secretary of State under Section 124A of the Insolvency Act 1986 (petition for winding up on grounds of public interest), the Secretary of State has certified to the court that it would be just and equitable (disregarding the objective of the energy administration) to wind up the licensee in the public interest. Certain additional circumstances in which a court may make an EAO and appoint an Energy Administrator are described in Chapter 12 "*Regulation of Electricity Distribution in Great Britain - Energy Administration Orders*".

An Energy Administrator has extensive powers, which are described in Chapter 12 "*Regulation of Electricity Distribution in Great Britain - Energy Administration Orders*" below. Amongst other things, if ENW were the subject of an EAO, an Energy Administrator could impose a scheme for the transfer of ENW's property, rights and liabilities to one or more different licensee(s) (an "**Energy Transfer Scheme**"), subject to the fulfilment of certain conditions including approval by the Secretary of State or GEMA.

As outlined in Chapter 12 "*Regulation of Electricity Distribution in Great Britain - Energy Administration Orders*", the Energy Administrator must exercise and perform his powers and duties in a manner which protects the interests of the creditors of the company as a whole, and subject to those interests, the interests of the members of the company as a whole. However, the effect of other provisions of the Energy Act 2004 is ultimately to subordinate members' and creditors' rights to the achievement of the purposes of the EAO. The Energy Act 2004 also grants the Secretary of State, with the approval of HM Treasury, the power (a) to make appropriate grants or loans to achieve the purposes of the EAO and to indemnify the Energy Administrator against losses or damages sustained in connection with the carrying out of his functions; and (b) to guarantee the payment of principal or interest and the discharge of any other financial obligations in connection with any borrowings of the licensee subject to an EAO.

There can be no assurance that any Energy Transfer Scheme in the context of an EAO could be achieved on terms that would enable creditors to recover amounts due to them in full.

Notwithstanding the above, the ability to appoint an administrative receiver to prevent an administration and the making available of the prescribed portion of realisations on an insolvency are unlikely to be of significance in the case of companies such as the Obligors which are subject to substantial restrictions on their activities.

Holding company structure and limited recourse to ENW

Because NWEN is a holding company, its rights to participate in the assets of any subsidiary if it is liquidated will be subject to the prior claims of its creditors, except to the extent that NWEN may be a creditor with recognised claims ranking ahead of or *pari passu* with such prior claims against the subsidiary. NWEN's ability to make payments on debt obligations and pay certain operating expenses is dependent on the receipt of dividends from ENW and/or payments of interest and principal under the NWEN/ENW Loan Agreement. ENW is subject to regulatory restrictions that can limit the payment of dividends and certain other payments. In the context of the NWEN/ENW Loan Agreement, the Licence does, however, state that any repayment of, or payment of interest on, a loan which is (i) entered into on an arms' length basis on normal commercial terms and applied for a "Permitted Purpose", and (ii) entered into prior to the date of the relevant event giving rise to the relevant payment lock-up, would be permitted under the Licence, provided that any such payment is not made earlier than the original due date for payment in accordance with its terms.

Furthermore, investors should note that for regulatory reasons, the Programme has been structured such that ENW will not provide cross-guarantees or any security. The obligations of the Obligors under the Notes, the Authorised Credit Facilities, the Common Terms Agreement, the STID and the other Finance Documents will not be obligations or responsibilities of, or guaranteed by, ENW, the ENW Issuer and ENW's Subsidiaries. Under the terms of the STID, each of the Secured Creditors and the Obligors will agree that, notwithstanding any other provision of any Finance Document, ENW, the ENW Issuer and each of ENW's Subsidiaries are not Obligors and as such, no Secured Creditor or Obligor shall have any recourse to or may bring any claim against any of them in respect of any amounts owing to such Secured Creditors or Obligors (as the case may be) which remain unpaid pursuant to the Finance Documents (save in respect of NWEN whose recourse to ENW is limited to the following, irrespective of the amount payable by the Obligors to the Secured Creditors: (i) the dividends which it actually pays to NWEN; and (ii) any amounts which are due and payable by ENW to NWEN pursuant to the terms of the NWEN/ENW Loan Agreement. For the avoidance of doubt, the NWEN/ENW Loan Agreement will not accelerate for any other reason besides a default of ENW in accordance with the terms of such agreement).

High Leverage

As of the Programme Date, the NWEN Financing Group will have indebtedness that is substantial in relation to its shareholders' equity. The NWEN Financing Group is expected to be leveraged initially, taking into account retained cash reserves, to approximately 83 per cent. Net Debt to RAV. The NWEN Financing Group will depend on ENW's operating performance and financial results, which in turn will depend upon economic, financial, competitive, regulatory and other factors beyond its control, including fluctuations in interest rates and general economic conditions in the United Kingdom.

Accordingly, there can be no assurance of ENW's ability to meet its financing requirements, nor as to its ability to pay dividends to NWEN, or to pay amounts under the NWEN/ENW Loan Agreement, in order to enable NWEN to pay amounts under the Issuer/NWEN Loan Agreements to enable the Issuer to pay amounts due and owing in respect of the Notes. Incurrence of additional indebtedness by ENW, NWEN or the Issuer, which is permitted under the Finance Documents, may increase the overall leverage of the NWEN Financing Group which will increase the demand on ENW to generate distributable cashflows.

Future Financing

The NWEN Financing Group may need to raise further debt from time to time in order, *inter alia*, to:

- (a) finance future capital enhancements to ENW's asset base;
- (b) on each Payment Date on which principal is required to be repaid and on the maturity date of the relevant Sub-Classes of Notes, refinance the Notes; and

- (c) refinance any other debt (including any final RPI payments under an index linked Hedging Agreement and for liquidity or working capital purposes) the terms of which have become inefficient or which have a scheduled partial or final maturity prior to the final maturity of the Notes.

While the CTA and the STID contemplate the terms and conditions on, and circumstances under, which such additional indebtedness can be raised, there can be no assurance that the NWEN Financing Group will be able to raise sufficient funds, or funds at a suitable interest rate, or on suitable terms, at the requisite time such that the purposes for which such financing is being raised are fulfilled, and in particular such that all amounts then due and payable on the Notes or any other maturing indebtedness will be capable of being so paid when due.

Risk Factors relating to the Issuer and the Notes

Special purpose vehicle Issuer

The Issuer is a special purpose financing entity with no business operations other than raising external funding for NWEN through the issuance of the Notes and entering into Issuer Hedging Agreements. After the Programme Date, other than the proceeds of the issuance of Notes, the Issuer's principal source of funds will be pursuant to the Issuer/NWEN Loan Agreements.

The Issuer's dependence on payments from NWEN under the Issuer/NWEN Loan Agreements is subject to all the same risks relating to revenues and expenses to which NWEN is subject. Such risks could limit funds available to the Issuer to enable the Issuer to satisfy in full and on a timely basis its obligations under the Notes.

Insolvency Considerations: The Enterprise Act

The Enterprise Act sets out certain reforms to corporate insolvency law contained in the Insolvency Act 1986, including the introduction of a prohibition on appointment of an administrative receiver by the holder of a qualifying floating charge, save in limited circumstances. Under paragraph 14(2)(a) of Schedule B1 of the Insolvency Act, a "qualifying floating charge" is one created by an instrument which states that paragraph 14 of Schedule B1 of the Insolvency Act applies to that floating charge and paragraph 14(3)(c) of Schedule B1 of the Insolvency Act says that a person is the holder of a qualifying floating charge in respect of a company's property if he holds one or more debentures of the company secured by charges and other forms of security which together relate to the whole or substantially the whole of the company's property and at least one of which is a qualifying floating charge. Unless a floating charge falls within one of the exceptions contained in the Enterprise Act, the holder of a qualifying floating charge will be prohibited from appointing an administrative receiver to a company and, consequently, the ability to prevent the appointment of an administrator to such company will be lost.

Such ability will not be applicable in the case of ENW which (i) under the terms of its Licence, cannot provide security over the whole or substantially the whole of its property and, therefore, cannot grant a qualifying floating charge and (ii) is subject to the Energy Administration Order regime (see "*Energy Administration Orders*"). Upon the issuance of Notes under the Programme by the Issuer, provided that such Notes have a nominal amount of £50,000,000 or greater, it is likely that a court would determine that the capital market arrangement exception referred to above would apply to the security granted by the Obligors to the Security Trustee and that, accordingly, the Security Trustee could appoint an administrative receiver in respect of each of the Obligors.

The Enterprise Act also provides that, on an insolvency of a company, a certain proportion of realisations in respect of certain classes of assets subject to a floating charge shall be made available for the satisfaction of unsecured creditors.

Source of payments to Noteholders

Although any Wrapped Notes will have the benefit of the relevant Financial Guarantee, none of the Notes of any Class will be obligations or responsibilities of, nor will they be guaranteed by, any of the Other Parties (other than the Guarantors and, in the case of the Wrapped Notes, the relevant Financial Guarantor). The guarantee by SPV HoldCo may be of limited value because it does not own, nor will it own, any significant assets other than its direct shareholding in NWEN. The guarantee by NWEN may be of limited value because it does not own, nor will it own, any significant assets other than its direct shareholding in ENW.

In addition, a Financial Guarantor will guarantee to the holders of the Wrapped Notes only the payment of scheduled principal and interest; it will not guarantee FG Excepted Amounts.

The DSR Liquidity Facilities

NWEN has agreed to procure that at any time, the aggregate of (i) the Available DSR Liquidity Amount and (ii) the Debt Service Reserve Account Balance (including the value of Authorised Investments funded from amounts standing to the credit of the Debt Service Reserve Account) is at least equal to the Required Balance.

Any DSR Liquidity Facility and any amount credited to the Debt Service Reserve Account are intended to cover certain shortfalls in amounts required by NWEN to service payments under its Authorised Credit Facilities (including each Issuer/NWEN Loan Agreement) and/or to enable NWEN (and, indirectly, the Issuer) to make payments in relation to the Senior Debt on any Payment Date (excluding the repayment of principal under the Notes) or to make provision for such payments to the extent that they fall due after that Payment Date. However, on any such Payment Date, there can be no assurance that any such shortfall will be met in whole or in part by amounts standing to the credit of the Debt Service Reserve Accounts or by any DSR Liquidity Facilities.

Rights available to Noteholders

The Note Trust Deed contains provisions detailing the Note Trustee's obligations to consider the interests of the Noteholders as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise). Where, in the sole opinion of the Note Trustee, there is a conflict of interest between the holders of two or more Sub-Classes of Notes of the same Class, the Note Trustee shall consider the interests of the holders of the Sub-Class of Notes with the shortest dated maturity and, in either case, will not have regard to the consequences of such exercise for any other Noteholders or any other person. Subject to certain exceptions, to the extent that the exercise of any rights, powers, trusts and discretions of the Note Trustee relates to any Wrapped Notes, the Note Trustee shall only act on the instructions of the Relevant Financial Guarantor(s) in accordance with the Note Trust Deed, subject to its being indemnified and/or secured and/or prefunded to its satisfaction. The STID provides that the Security Trustee (except in relation to certain Reserved Matters and Entrenched Rights as set out in the STID) will, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, act on instructions of the relevant Senior DIG Representative(s). When so doing, the Security Trustee is not required to have regard to the interests of any Finance Party (including the Note Trustee as trustee for the Noteholders) in relation to the exercise of such rights and shall have no liability to any Secured Creditor, including the Noteholders as a consequence of so acting.

Intercreditor Rights of Noteholders

The Notes are subject to the provisions of the STID. The STID contains provisions enabling the Security Trustee to implement various modifications, consents and waivers in relation to the Finance Documents and the Notes, subject to Entrenched Rights and Reserved Matters. See Chapter 13 "*Overview of the Financing Agreements - Security Trust and Intercreditor Deed - Entrenched Rights and Reserved Matters*" below. The Security Trustee is authorised to act on the instructions of the Senior DIG.

Prior to a Default Situation or in respect of a valid Emergency Instruction Notice (in each case, other than in respect of Entrenched Rights and Reserved Matters), each Unwrapped Noteholder and, if an FG Event of Default has occurred and is continuing in relation to a Financial Guarantor, the relevant Wrapped Noteholders will be entitled to vote in the Senior DIG on a pound-for-pound basis (as described below) through the clearing systems within a specified decision period (see Chapter 13 “*Overview of the Financing Agreements - Security Trust and Intercreditor Deed - Noteholder Voting*”).

Prior to a Default Situation, and other than in respect of Entrenched Rights or Reserved Matters, the Note Trustee will not be entitled to convene a meeting of Noteholders to seek directions in respect of any vote.

During a Default Situation, the Note Trustee shall be entitled to vote and will be entitled to convene a meeting of Noteholders to seek directions from the relevant Unwrapped Noteholders and, if an FG Event of Default has occurred and is continuing in relation to a Financial Guarantor, the relevant Wrapped Noteholders in respect of such vote (and Noteholders will no longer be able to vote directly through the clearing systems unless a valid Emergency Instruction Notice is delivered to the Security Trustee) (see Chapter 13 “*Overview of the Financing Agreements - Security Trust and Intercreditor Deed - Emergency Instruction Procedure*”). In respect of a vote relating to Entrenched Rights and Reserved Matters, the Note Trustee shall be entitled to seek directions from the Noteholders of each affected Series of Notes in respect of such vote (and Noteholders will not be entitled to vote directly through the clearing systems in respect of such matters).

Accordingly, in respect of modifications, waivers or consents in respect of provisions of the Finance Documents (other than those in respect of Basic Terms Modifications (as defined in Condition 15)), the votes of the Noteholders will be treated as a single class on a pound-for-pound basis (in the case of Qualifying Senior Debt denominated in a currency other than sterling, as calculated on the basis of the Exchange Rate) with the other Secured Creditors in respect of Qualifying Senior Debt. There is a risk that the votes of the Noteholders may not constitute a majority in respect of modifications, waivers or consents. Such risk is increased by the fact that prior to a Default Situation and in respect of a valid Emergency Instruction Notice (in each case, other than in respect of Entrenched Rights and Reserved Matters), only those votes of those Noteholders who participate in the vote within the specified decision period will be taken into account. Further, a vote in respect of the entire Outstanding Principal Amount of Senior Debt will be taken in respect of certain other Authorised Credit Facilities. It is possible that the interests of the Secured Creditors in respect of certain other Qualifying Senior Debt will not be aligned with the interests of a Class or Sub-Class of Noteholders, and it is possible that, in relation to votes on certain matters, owing to the relative size of Senior Debt that is capable of being voted by Authorised Credit Facility Providers other than the Noteholders, the Security Trustee is given an instruction that is not in the interests of the Noteholders.

Under the terms of the STID and the CTA any further issue of debt securities by the Issuer must be made subject to the intercreditor arrangements contained in the CTA and the STID (to which the Notes are also subject). No alteration of the rights of priority of the Noteholders may be made without the consent of the relevant Noteholders.

The Entrenched Rights and Reserved Matters may materially and adversely affect the exercise and proceeds of any enforcement of the Security. Subject to such Entrenched Rights and Reserved Matters and provided that the relevant Quorum Requirement has been met, the Majority Creditors may make a modification to, or grant any consent or waiver in respect of, the Finance Documents without the need to seek a confirmation from the Rating Agencies as to the then current ratings of the Notes.

Limited Liquidity of the Notes; Absence of Secondary Market for the Notes

Notwithstanding the fact that an application has been made to admit the Notes to trading on the London Stock Exchange, there is currently no market for the Notes. There can be no assurance that a secondary market will develop, or, if a secondary market does develop for any of the Notes, that it will provide the holder of the

Notes with liquidity or that any such liquidity will continue for the life of the Notes. Consequently, any purchaser of the Notes must be prepared to hold such Notes until final redemption or maturity of the Notes.

The liquidity and market value at any time of the Notes is affected by, *inter alia*, the market view of the credit risk of such Notes and will generally fluctuate with general interest rate fluctuations, general economic conditions, the condition of certain financial markets, international political events, the performance and financial condition of ENW, developments and trends in the electricity industry generally and events in the appointed area of ENW.

Trading in the Clearing systems - integral multiples of less than €50,000

Where it is specified in the relevant Final Terms that the denomination of the relevant Notes shall have a minimum denomination of €50,000, it is possible that the Notes may be traded in amounts in excess of €50,000 (or its equivalent) that are not integral multiples of €50,000 (or its equivalent). In such case, a Noteholder who, as a result of trading such amounts, holds a principal amount of Notes of less than €50,000 (or its equivalent) will not receive a definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to or greater than €50,000 (or its equivalent).

Notes may not be a suitable investment for all investors

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

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

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

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 certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. 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.

Index Linked Notes and Dual Currency Notes

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

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

Partly-paid Notes

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

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer’s ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than 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, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

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

Rating of the Notes

The ratings assigned by the Rating Agencies to the Unwrapped Notes reflect only the views of the Rating Agencies and in assigning the ratings the Rating Agencies take into consideration the credit quality of NWEN and structural features and other aspects of the transaction. The ratings assigned by the Rating Agencies to Wrapped Notes are based on the ability of any Financial Guarantor to pay claims and the Shadow Ratings and reflect only the views of the Rating Agencies.

A rating is not a recommendation to buy, sell or hold securities and will depend, *inter alia*, on certain underlying characteristics of the business and financial condition of NWEN, circumstances relating to the electricity industry generally or, in the case of the Wrapped Notes, of the Relevant Financial Guarantor from time to time.

There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies (or any of them) as a result of changes in, or unavailability of, information or if, in the Rating Agencies' judgment, circumstances so warrant. If any rating assigned to the Notes is lowered or withdrawn, the market value of the Notes may be reduced. Future events, including events affecting NWEN and/or circumstances relating to the electricity industry generally, could have an adverse impact on the ratings of the Notes.

Issuer Tax Risks

The Issuer's UK tax position

The Issuer is incorporated and resident for tax purposes in the UK. The Issuer is expected to be a "securitisation company" for the purposes of the UK Taxation of Securitisation Companies Regulations 2006, made in December 2006 under section 84 of the Finance Act 2005, as amended in 2007 (the "**Securitisation Regulations**"). Accordingly, the Issuer should be subject to corporation tax in the UK in accordance with the special regime for securitisation companies as provided for by these regulations.

For accounting periods beginning on or after 1 January 2005, the statutory accounts of UK tax resident companies, such as the Issuer, with listed debt are required to comply with International Financial Reporting Standards ("**IFRS**") or UK generally accepted accounting principles including FRS 25 and 26, which are based on IFRS ("**New UK GAAP**"). Unless otherwise stated, references to IFRS include references to New UK GAAP. If taxed on the basis of their accounts, the tax position of special purpose companies such as the Issuer might be different from their cash position. HM Revenue & Customs ("**HMRC**") has indicated that, as a policy matter, it does not wish the tax neutrality of securitisation special purpose companies in general to be disrupted as a result of the transition to IFRS and has accordingly introduced a special corporation tax regime for securitisation companies in the form of the Securitisation Regulations.

In the Tax Deed of Covenant, the Tax Covenantors, the members of the NWEN Financing Group and the Issuer make certain representations and give covenants not to do anything, or permit anything to be done, that would result in the Issuer ceasing to be a securitisation company within the scope of the Securitisation Regulations. However, if the Issuer were to cease to qualify as a securitisation company, this may have an adverse effect on the Issuer's UK tax position which could adversely affect the Issuer's ability to make timely payment of interest and principal on the Notes.

The Securitisation Regulations may be the subject of further amendment. There can be no assurance that the official interpretation of, or amendments to, these regulations will not have a material adverse effect on the Issuer's UK tax position.

Potential secondary tax liabilities of the members of the NWEN Financing Group and the Issuer

Where a company fails to discharge certain tax liabilities within a specific time period, UK tax law imposes, in certain circumstances, secondary liability for those overdue taxes on other companies that are or have been members of the same group of companies, or are or have been under common control, for tax purposes, with the company that has not discharged its tax liabilities.

Under the Tax Deed of Covenant, the Tax Covenantors, the members of the NWEN Financing Group and the Issuer represent that, so far as they are aware, nothing has been done, and covenant that nothing will be done by them, which might reasonably be expected to give rise to any secondary tax liability in any member of the NWEN Financing Group or the Issuer. The Tax Deed of Covenant also contains a covenant from the Tax Covenantors to discharge certain secondary tax liabilities that could theoretically arise to members of the NWEN Financing Group as a result of acts or omissions of persons who are neither members of the NWEN Financing Group nor Tax Covenantors. If, however, any such secondary tax liabilities do arise in the Issuer or NWEN, which are not discharged by the Tax Covenantors, and are of significant amounts, the Issuer or NWEN could be adversely affected.

The Issuer and the other members of the NWEN Financing Group have been members of a value added tax ("VAT") group that also includes members of the wider corporate group of which ENW is the representative member. Steps will be taken to cause the Issuer to cease to form part of any VAT group with effect from three months after the initial Issue Date, but the other members of the NWEN Financing Group will continue to be part of the VAT group save as provided in the Tax Deed of Covenant. (The Tax Deed of Covenant provides that, in the event that a company which is a member of the VAT group of which ENW is the representative member (the "**ENW VAT Group**"), but which is not a member of the NWEN Financing Group undertakes any transactions which, if it were to register for VAT separately, would cause its taxable supplies to companies which are not members of the ENW VAT Group to exceed its inputs by more than £1,000,000 in any 12 month period, an application must be made to remove that company from the ENW VAT Group as soon as possible following the end of the then current quarterly period of account.) The members of a VAT group are jointly and severally liable for any VAT due from the representative member of the group and remain so liable (in respect of liabilities arising during their period of membership) after ceasing to be members of the VAT group. Therefore, the Issuer and the members of the NWEN Financing Group could have exposure to VAT liabilities of other members of the wider NWEN group. If any such amounts are significant, it could adversely affect NWEN's ability to make payments under the Issuer/NWEN Loan Agreements and/or the Issuer's ability to make timely payments of interest and principal on the Notes.

Withholding Tax under the Notes

In the event that withholding taxes are imposed in any jurisdiction in respect of payments due under the Notes, neither the Issuer nor a Guarantor is obliged to gross-up or otherwise compensate Noteholders for the fact that the Noteholders will receive, as a result of the imposition of such withholding taxes, cash amounts which are less than those which would otherwise have been the case. The Issuer will, in such event, have the option (but not the obligation) of:

- (i) arranging for the substitution of another company in an alternative jurisdiction (subject to certain conditions); and, failing this,
- (ii) redeeming all Outstanding Notes in full.

(See Chapter 14 “*Terms and Conditions of the Notes*” and Condition 8(c) (*Redemption for Index Event, Taxation or Other Reasons*).)

Likewise, in the event withholding taxes are imposed in respect of payments due under the Wrapped Notes and the Relevant Financial Guarantor is called upon under its Financial Guarantee or Financial Guarantees to make payments in respect of such payments, such Financial Guarantor is not obliged to gross-up or otherwise compensate the holders of such Wrapped Notes for the fact that such Wrapped Noteholders will receive, as a result of the imposition of any withholding taxes, cash amounts which are less than those which would otherwise have been the case.

EU Savings Directive

The EU has adopted a Directive regarding the taxation of savings income (the “**Savings Directive**”). The Savings Directive requires Member States to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person to an individual (or to certain other persons) in another Member State, except that Belgium, Luxembourg and Austria will instead impose a withholding system for a transitional period unless during such period they elect otherwise. A number of third countries and territories including Switzerland have adopted similar measures to the Savings Directive.

Change of Law

The structure of the transaction and, *inter alia*, the issue of the Notes and ratings assigned to the Notes are based on English law (including UK tax law) and administrative practice in effect at the date hereof, and having due regard to the expected tax treatment of all relevant entities under such law and administrative practice. No assurance can be given that there will not be any change to such law, tax or administrative practice after the date hereof which change might impact on the Notes and the expected payments of interest and repayment of principal. In particular, draft legislation published in the Finance Bill 2009, raises the possibility of changes to the availability of tax relief for interest payments. As the new legislation is not yet enacted, and is still subject to amendment, it is difficult to say with certainty what form these provisions will finally take and what effect, if any, they may have on the NWEN Financing Group, but it is possible that they may adversely affect the ability of NWEN to make payments under the Issuer/NWEN Loan Agreements and/or of the Issuer to meet its payment obligations under the Notes.

European Monetary Union

Prior to the maturity of the Notes, the United Kingdom may become a participating Member State in the Economic and Monetary Union and the euro may become the lawful currency of the United Kingdom. Adoption of the euro by the United Kingdom may have the following consequences:

- (i) all amounts payable in respect of the sterling-denominated Notes may become payable in euro;
- (ii) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed; and
- (iii) the Issuer may choose to redenominate the Notes into euro and take additional measures in respect of the Notes (see Chapter 14 “*Terms and Conditions of the Notes*” and Condition 19 (*European Economic and Monetary Union*)).

The introduction of the euro could also cause a volatile interest rate. It cannot be predicted with certainty what effect, if any, adoption of the euro by the United Kingdom would have on investors in the Notes.

The potential costs to the NWEN Financing Group of implementing procedures to deal with any possible future adoption of the euro by the United Kingdom are unclear, but could be significant.

Changes in Financial Reporting Standards

Certain provisions of the Finance Documents contain certain conditions and/or triggers which are based upon an assessment of the financial condition of the NWEN Financing Group calculated by reference to the financial statements produced in respect of the companies in the NWEN Financing Group. These financial and other covenants have been set at levels which are based on the current accounting principles, standards, conventions and practices adopted by the relevant companies.

It is possible that any future changes in these accounting principles, standards, conventions and practices which are adopted by the companies in the NWEN Financing Group may result in significant changes in the reporting of its financial performance. This, in turn, may necessitate that the terms of the conditions and triggers referred to above be re-negotiated.

CHAPTER 5 OVERVIEW OF THE FINANCING STRUCTURE

As at the Programme Date, the NWEN Financing Group will consist of SPV HoldCo, the Issuer, NWEN, ENW, the ENW Issuer and each of ENW’s Subsidiaries as at that date. After the Programme Date, it will include any additional direct or indirect Subsidiaries of SPV HoldCo from time to time.

Figure 1 - Ownership Structure

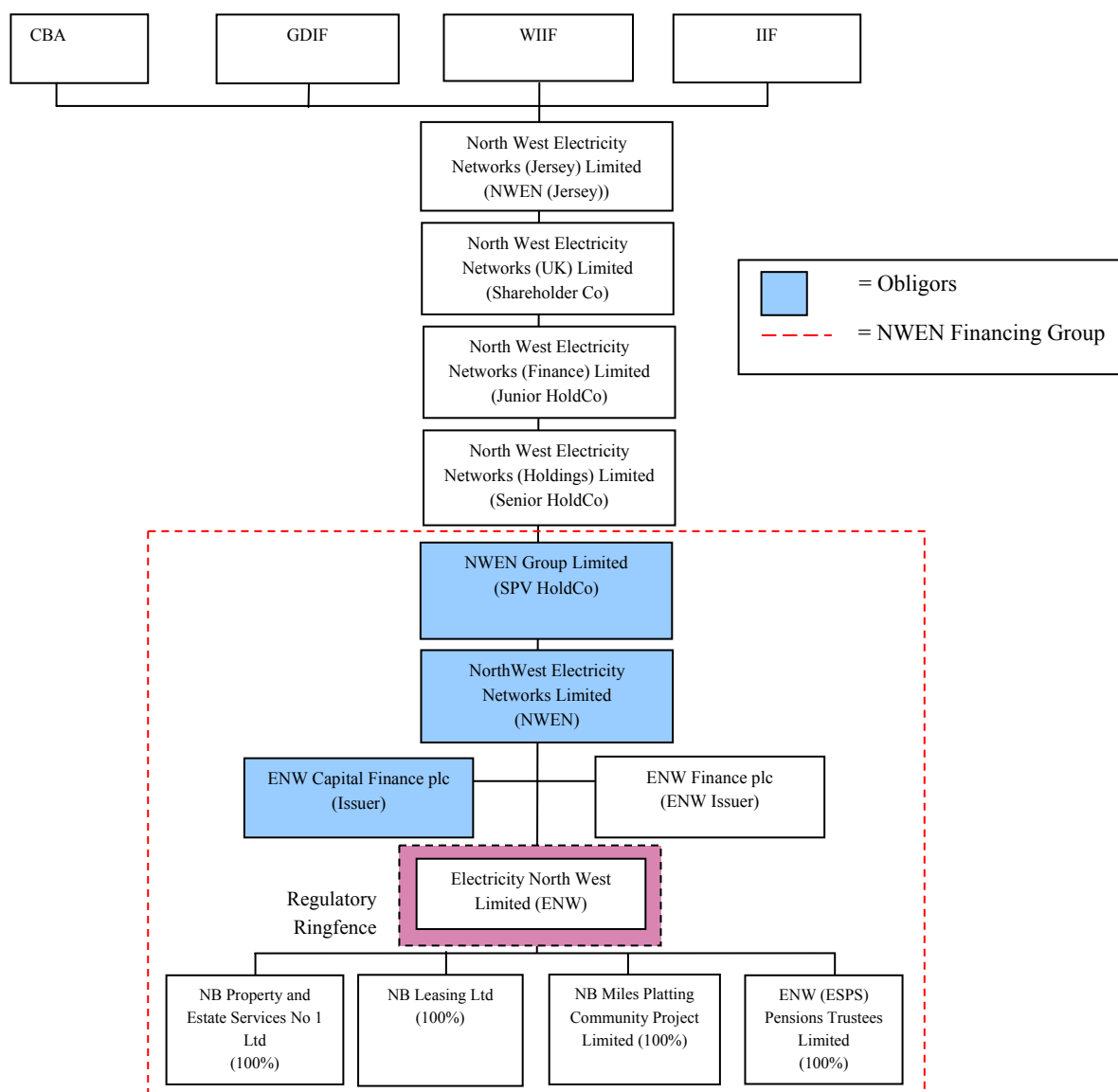
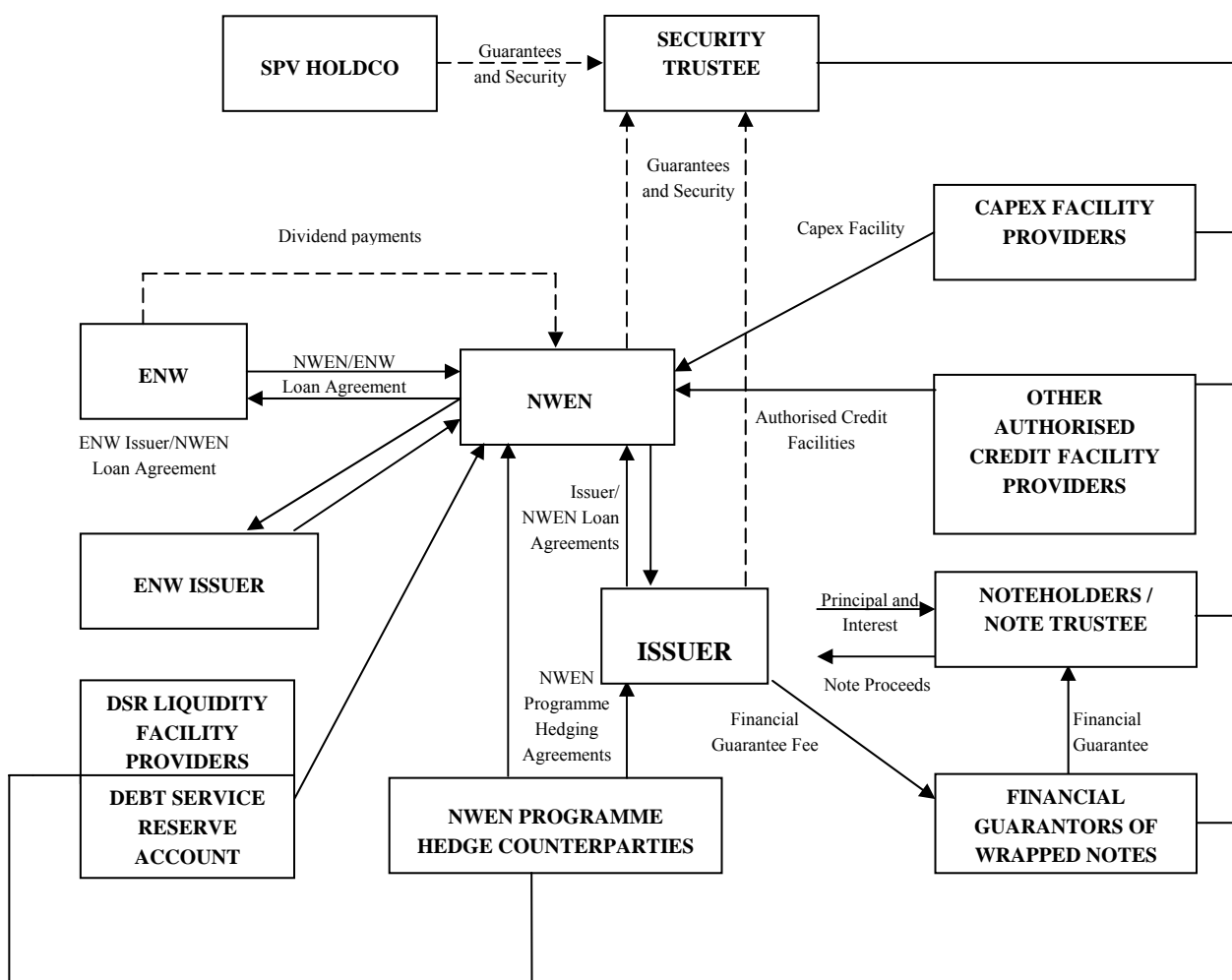


Figure 1 illustrates the ownership structure of the NWEN Financing Group, together with an outline of the upstream shareholding structure, as of the Programme Date:

- The Issuer is a special purpose vehicle whose entire share capital is beneficially owned by NWEN.
- On the Programme Date, the entire ordinary share capital of NWEN will be held by SPV HoldCo, whose entire issued share capital is held by Senior HoldCo, which is outside the NWEN Financing Group.
- The ultimate parent of the NWEN Financing Group is NWEN (Jersey), which is owned by Commonwealth Bank of Australia (“CBA”), Citicorp Nominees Pty Limited as custodian for CFS Managed Property Limited as responsible entity for the CFS Global Diversified Infrastructure Fund (“GDIF”), Citicorp Nominees Pty Limited as custodian for Colonial First State Investments Limited as responsible entity for the Colonial First State Wholesale Infrastructure Income Fund (“WIIF”) and IIF Int’l NWEN UK Cayman Limited (“IIF”). GDIF and WIIF are funds which are ultimately controlled by Commonwealth Bank of Australia. IIF Int’l NWEN UK Cayman Limited is a Cayman incorporated company which is controlled by IIF Int’l Holding GP Ltd. IIF Int’l Holding GP Ltd is a constituent of JPMorgan Infrastructure Investments Fund (“JPMIIF”).
- NWEN is a special purpose vehicle which is the immediate holding company of ENW and is (or will become on or around the Programme Date) the immediate holding company of each of the Issuer and the ENW Issuer. Under the Programme, NWEN will, amongst other things, enter into the Finance Documents as an Obligor and will grant security over the shares of ENW and the Issuer pursuant to the Security Agreement.
- SPV HoldCo is a special purpose vehicle which as at the Programme Date will be the immediate holding company of NWEN. Under the Programme, SPV HoldCo will, amongst other things, enter into the Finance Documents as an Obligor and grant security over the shares of NWEN pursuant to the Security Agreement.

Figure 2 - Programme Structure



- On or around the Programme Date, the Issuer intends to issue Unwrapped Notes under the Programme.
- NWEN expects to receive on or around the Programme Date a dividend payment from ENW in an amount of £188.5 million. NWEN will apply such dividend payment amount, together with the proceeds of the first Note issuance, towards the refinancing of the Acquisition Debt in full.
- The Issuer may also issue Unwrapped Notes and Wrapped Notes (guaranteed as to scheduled principal and interest by a Financial Guarantor) from time to time.
- The Issuer will on-lend to NWEN the proceeds of each Series of Notes issued on or after the Programme Date, pursuant to an Issuer/NWEN Loan Agreement.
- NWEN will apply the proceeds of each advance made available to it under an Issuer/NWEN Loan Agreement from time to time (i) to repay any outstanding amount of the Acquisition Debt and (ii) only to the extent that none of the Acquisition Debt remains outstanding, towards the general corporate purposes of the NWEN Financing Group.
- Where applicable, each of NWEN and/or the Issuer is required to hedge its respective interest rate and currency exposure under the Issuer/NWEN Loan Agreements, Authorised Credit Facilities and/or the Notes (as appropriate) by entering into interest and currency swap agreements and other hedging

arrangements with NWEN Hedge Counterparties and Issuer Hedge Counterparties, respectively, in accordance with the Hedging Policy.

- The Issuer's obligations to repay principal and pay interest on the Notes are intended to be met primarily from the payments of principal and interest received from NWEN under the Issuer/NWEN Loan Agreements and, where such payment has been hedged under an Issuer Hedging Agreement, under the relevant Issuer Hedging Agreement. The Issuer/NWEN Loan Agreements will provide for payments to become due from NWEN to the Issuer on dates and in amounts that match the obligations of the Issuer under the Notes plus the Issuer Profit Amount representing a nominal profit.
- NWEN may withdraw sums standing to the credit of the Debt Service Reserve Account and/or draw under any DSR Liquidity Facility to enable NWEN to meet any shortfall in the amounts available to it on any Payment Date to make payments of (or to make provision for payments of) interest (but not principal) under its Authorised Credit Facilities (including the Issuer/NWEN Loan Agreements) (see Chapter 13 "*Overview of the Financing Agreements*" - "*Common Terms Agreement*" - "*Cash Management*"). On the Signing Date, NWEN will not enter into any DSR Liquidity Facility Agreements and the Required Balance will be solely funded via the Debt Service Reserve Account.
- On and from the Programme Date, SPV HoldCo and NWEN will guarantee the obligations of the Issuer under the Finance Documents in favour of the Security Trustee and SPV HoldCo, NWEN and the Issuer will each guarantee the obligations of each other under the Finance Documents in favour of the Security Trustee.
- On and from the Programme Date, the obligations of each of NWEN, the Issuer and SPV HoldCo will be secured in favour of the Security Trustee under the terms of the Security Agreement.
- The guarantees and security to be granted by the Obligors will be held by the Security Trustee for itself and on behalf of the Secured Creditors under the terms of the STID, which regulates the rights and claims of the Secured Creditors against the Obligors and the duties and discretions of the Security Trustee.

CHAPTER 6 THE ISSUER

The Issuer, ENW Capital Finance PLC, was incorporated in England and Wales on 8 April, 2009 (registered number 6873051), as a public company with limited liability under the Companies Act 1985. The registered office of the Issuer is at Dalton House, 104 Dalton Avenue, Birchwood Park, Birchwood, Warrington WA3 6YF. The telephone number for the Issuer is 01925 534550. The Issuer has no subsidiaries or employees.

1 Principal Activities

The principal objects of the Issuer are set out in Clause 4 of its Memorandum of Association and are, *inter alia*, (i) to raise or borrow money and to grant security over its assets for such purpose, to lend money and to take security over the assets of any borrower in connection with such loans; (ii) to accept, draw, make, create, issue, execute, discount, endorse, negotiate and deal in bills of exchange, promissory notes, bills of lading, warrants, debentures and other instruments and securities, whether negotiable, transferable or otherwise (iii) to enter (whether directly or indirectly, as principal or agent, trustee or beneficiary) into any guarantee, interest rate exchange transaction, currency exchange transaction, option, swaption, repurchase transaction, securities lending transaction, contract for differences, contract of indemnity or suretyship; and (iv) to distribute any of its property or assets among its creditors and members in specie or kind.

The Issuer has not commenced operations and has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a public limited company under the Companies Act 1985, the authorisation of the issue of the Notes, the authorisation and execution of the other documents referred to in this Prospectus to which it is or will be a party and the other matters referred to or contemplated in this Prospectus, and matters which are incidental or ancillary to the foregoing. As at the date of this Prospectus, no accounts have yet been drawn up in respect of the Issuer.

The Issuer will covenant to observe certain restrictions on its activities, which are detailed in Part 5 of Schedule 4 of the CTA.

2 Directors and Secretary

The directors of the Issuer and their respective business addresses and other principal activities are:

Name	Business Address	Principal Activities
Stephen Johnson	Dalton House, 104 Dalton Avenue, Birchwood Park, Birchwood, Warrington WA3 6YF	Director
Carol Thompson	Dalton House, 104 Dalton Avenue, Birchwood Park, Birchwood, Warrington WA3 6YF	Director
Surinder Toor	Dalton House, 104 Dalton Avenue, Birchwood Park, Birchwood, Warrington WA3 6YF	Non-Executive Director
Niall Mills	Dalton House, 104 Dalton Avenue, Birchwood Park, Birchwood, Warrington WA3 6YF	Non-Executive Director

John Gittins

Dalton House, 104 Dalton Avenue, Non-Executive Director
Birchwood Park, Birchwood,
Warrington WA3 6YF

The company secretary of the Issuer is Chantal Forrest.

Audit Committee

The Issuer board established an audit committee of the Board at its meeting on 23 June 2009. The members were resolved to be Surinder Toor and Niall Mills with Surinder Toor as chairman. The audit committee terms of reference are based on the Institute of Chartered Secretaries and Administrators “ICSA Guidance on Terms of Reference- Audit Committee” (the “**ICSA Guidelines**”) and include the following stipulations: all members of the committee shall be non-executive directors at least one of whom shall have recent and relevant financial experience; the external auditors will be invited to attend meetings of the committee on a regular basis; the committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required. The duties of the committee include monitoring the integrity of the financial statements of the company, including its annual and half-yearly reports and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain; reviewing whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor; keep under review the effectiveness of the company’s internal controls and risk management systems; and monitor and review the effectiveness of the company’s internal audit function in the context of the company’s overall risk management system.

Conflicts of Interest

No potential conflicts of interest exist at the date of this Prospectus between the duties of the Directors to the Issuer and their private interests or other duties.

Combined Code

As a public company, having listed bonds but not listed equity, the Issuer is not bound by the Combined Code of Corporate Governance (the “**Code**”) and does not comply with all aspects of the Code.

3 Capitalisation

The capitalisation of the Issuer as at the date of this Prospectus is as follows:

Share Capital

Authorised Share Capital £	Issued Share Capital £	Value of each Share £	Shares Fully Paid Up	Shares Quarter Paid Up	Paid Up Share Capital £
50,000	50,000	1	0	50,000	12,500

The issued share capital of the Issuer is 100 per cent. owned by NWEN.

4 Auditors

Deloitte LLP are chartered accountants and registered auditors and have been appointed as the auditors for the Issuer. Deloitte LLP are members of the Institute of Chartered Accountants in England and Wales.

CHAPTER 7
NORTH WEST ELECTRICITY NETWORKS LIMITED

North West Electricity Networks Limited was incorporated in England and Wales on 15 November 2007 (registered number 6428375), as a company with limited liability under the Companies Act 1985. The registered office of NWEN is at Dalton House, 104 Dalton Avenue, Birchwood Park, Birchwood, Warrington WA3 6YF. The telephone number for NWEN is 01925 534550.

1 Principal Activities

The principal objects of NWEN are set out in Clause 3 of its Memorandum of Association and are, *inter alia*, to carry on business as a general commercial company (including raising and borrowing money with or without security, to lend money and to give guarantees).

Since its incorporation, NWEN has not engaged in any business or activities, either alone or in partnership or joint venture or incurred any liabilities on or before the Signing Date, other than those required in connection with its formation and capitalisation and any items incidental thereto, the formation of its board, the appointment of auditors and company secretary, the opening of bank accounts, the holding of shares in its Subsidiaries (including the acquisition of ENW and its Subsidiaries) and the exercise of its rights and performance of its obligations thereunder, implementing the Reorganisation Plan, the entry into documents relating thereto and the exercise of its rights and performance of its obligations under such documents, the declaration and payment of dividends and its execution and performance of documents relating thereto and/or those envisaged by the relevant Finance Documents and the exercise of its rights and performance of its obligations thereunder and the entry into documentation relating to the Acquisition Debt and all activities related to it (including the entry by NWEN into and performance of its obligations under (i) the Structural Intragroup Loans and (ii) certain intragroup loans with NWEN as lender and ENW as borrower representing the on-loan of certain amounts to be applied by ENW in respect of capital expenditure) and the entry into of certain hedging agreements (now terminated) and the exercise of its rights and performance of its obligations thereunder. NWEN's audited financial statements for the year ended 31 March 2009 are set out in this Prospectus at Appendix 1.

NWEN will covenant to observe certain restrictions on its activities, which are detailed in Part 3 of Schedule 4 of the CTA. In addition, NWEN will covenant in the Note Trust Deed to provide written confirmation to the Note Trustee, at times specified in the Finance Documents, that no Event of Default or Potential Event of Default (or other matter which is required to be brought to the Note Trustee's attention) has occurred.

2 Directors and Secretary

The directors of NWEN and their respective business addresses and other principal activities are:

Name	Business Address	Principal Activities
Stephen Johnson	Dalton House, 104 Dalton Avenue, Birchwood Park, Birchwood, Warrington WA3 6YF	Director
Carol Thompson	Dalton House, 104 Dalton Avenue, Birchwood Park, Birchwood, Warrington WA3 6YF	Director
John Gittins	Dalton House, 104 Dalton Avenue,	Non-Executive Director

	Birchwood Park, Birchwood, Warrington WA3 6YF	
Robert O'Malley	Dalton House, 104 Dalton Avenue, Birchwood Park, Birchwood, Warrington WA3 6YF	Alternate Director to Carol Thompson

The company secretary of NWEN is Chantal Forrest.

Audit Committee

NWEN does not have an audit committee as it is a special purpose vehicle with no business other than acting as a holding company and in connection with the financing arrangements contemplated by the Programme.

Conflicts of Interest

No potential conflicts of interest exist at the date of this Prospectus between the duties of the Directors to NWEN and their private interests or other duties.

Combined Code

As a private company with no listed securities, NWEN is not bound by the Code and does not comply with all aspects of the Code.

3 Capitalisation

The capitalisation of NWEN as at the date of this Prospectus is as follows:

Share Capital

Authorised Share Capital £	Issued Share Capital £	Value of each Share £	Shares Fully Paid Up	Shares Quarter Paid Up	Paid Up Share Capital £
3,000,000	3,000,000	1	3,000,000	0	3,000,000

On and from the Programme Date, the issued share capital of NWEN will be 100 per cent. owned by SPV HoldCo.

4 Auditors

Deloitte LLP are chartered accountants and registered auditors and have been appointed as the auditors for NWEN. Deloitte LLP are members of the Institute of Chartered Accountants in England and Wales.

CHAPTER 8 SPV HOLDCO LIMITED

SPV HoldCo was incorporated in England and Wales on 7 April, 2009 (registered number 6872880), as a company with limited liability under the Companies Act 1985. The registered office of SPV HoldCo is at Dalton House, 104 Dalton Avenue, Birchwood Park, Birchwood, Warrington WA3 6YF. The telephone number for SPV HoldCo is 01925 534550.

1 Principal Activities

The principal objects of SPV HoldCo are set out in Clause 3 of its Memorandum of Association and are, *inter alia*, to raise and borrow money and to grant security over its assets for such purpose, to lend money and to give guarantees.

SPV HoldCo has not commenced operations and has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a limited company under the Companies Act 1985, the authorisation and execution of the other documents referred to in this Prospectus to which it is or will be a party and the other matters referred to or contemplated in this Prospectus (including the holding of shares in NWEN), and matters which are incidental or ancillary to the foregoing. As at the date of this Prospectus, no accounts have yet been drawn up in respect of SPV HoldCo.

SPV HoldCo will covenant to observe certain restrictions on its activities, which are detailed in Part 3 of Schedule 4 of the CTA.

2 Directors and Secretary

The directors of SPV HoldCo and their respective business addresses and other principal activities are:

Name	Business Address	Principal Activities
Stephen Johnson	Dalton House, 104 Dalton Avenue, Birchwood Park, Birchwood, Warrington WA3 6YF	Director
Carol Thompson	Dalton House, 104 Dalton Avenue, Birchwood Park, Birchwood, Warrington WA3 6YF	Director
Robert O'Malley	Dalton House, 104 Dalton Avenue, Birchwood Park, Birchwood, Warrington WA3 6YF	Alternate Director to Carol Thompson

The company secretary of SPV HoldCo is Chantal Forrest.

Audit Committee

SPV HoldCo does not have an audit committee as it is a special purpose vehicle with no business other than acting as a holding company and in connection with the financing arrangements contemplated by the Programme.

Conflicts of Interest

No potential conflicts of interest exist at the date of this Prospectus between the duties of the Directors to SPV HoldCo and their private interests or duties.

Combined Code

As a private company, with no listed equity, SPV HoldCo is not bound by the Combined Code of Corporate Governance (the “Code”) and does not comply with all aspects of the Code. The directors of SPV HoldCo are of the opinion that, in the instances where the SPV HoldCo does not comply with certain provisions of the Code, this approach is justifiable given SPV HoldCo’s privately held status and that such provisions of the Code are disproportionate or less relevant in SPV HoldCo’s case.

3 Capitalisation

The capitalisation of SPV HoldCo as at the date of this Prospectus is as follows:

Share Capital

Authorised Share Capital £	Issued Share Capital £	Value of each Share £	Shares Fully Paid Up	Shares Quarter Paid Up	Paid Up Share Capital £
3,000,000	1	1	1	0	1

The issued share capital of SPV HoldCo is 100 per cent. owned by Senior HoldCo.

As at the date of this Prospectus, SPV HoldCo has no outstanding loan capital, borrowings, indebtedness or contingent liabilities and SPV HoldCo has not created any mortgages or charges, nor has it given any guarantees other than as described in this Prospectus.

On the Programme Date, SPV HoldCo will issue 2,999,999 ordinary shares of £1 each to Senior HoldCo.

4 Auditors

Deloitte LLP are chartered accountants and registered auditors and have been appointed as the auditors for SPV HoldCo. Deloitte LLP are members of the Institute of Chartered Accountants in England and Wales.

CHAPTER 9

ENW BUSINESS DESCRIPTION

Introduction

Electricity North West Limited (“**ENW**”) was registered in England and Wales on 1 April 1989, with registered number 2366949 under the name NORWEB plc, to succeed to the North Western Electricity Board for the purposes of privatisation of the electricity industry in 1990. It was acquired by United Utilities plc, formerly North West Water Group plc (“**UU**”) in November 1995, and was renamed United Utilities Electricity PLC in 2001. On 31 August 2007, it re-registered as a private company. On 19 December 2007, UU disposed of its interest in United Utilities Electricity Limited to North West Electricity Networks Limited, and, on 20 December 2007, its name was changed to Electricity North West Limited.

The ultimate holding company of North West Electricity Networks Limited is North West Electricity Networks (Jersey) Limited (“**NWEN (Jersey)**”) which in turn is owned by Commonwealth Bank of Australia, Citicorp Nominees Pty Limited as custodian for CFS Managed Property Limited as responsible entity for the CFS Global Diversified Infrastructure Fund (“**GDIF**”), Citicorp Nominees Pty Limited as custodian for Colonial First State Investments Limited as responsible entity for the Colonial First State Wholesale Infrastructure Income Fund (“**WIIF**”) and IIF Int’l NWEN UK Cayman Limited. GDIF and WIIF are funds which are ultimately controlled by Commonwealth Bank of Australia. IIF Int’l NWEN UK Cayman Limited is a Cayman incorporated company which is controlled by IIF Int’l Holding GP Ltd. IIF Int’l Holding GP Ltd is a constituent of JPMorgan Infrastructure Investments Fund (“**JPMIIF**”).

Commonwealth Bank of Australia is one of the world’s leading financial institutions with a market capitalisation of AUD 52.8 billion at 31 March 2009 and total assets of AUD 618.8 billion at 31 December 2008. It is a leading manager of investments in infrastructure assets with 14 years of experience in infrastructure investment, including experience in managing regulated and unregulated utilities in the UK and Australia. The guiding principle of its infrastructure investment strategy is its long-term investment horizon. It has dedicated asset managers with extensive management and operating experience, and operates from offices in London, Edinburgh, Sydney, Melbourne, New York, Singapore and Hong Kong.

JPMIIF is a specialised open-end fund focused on the infrastructure sector with a long-term “hold” investment horizon. It currently has approximately U.S.\$3.2 billion of equity capital under management. JPMIIF is advised by J.P. Morgan Investment Management Inc., which manages more than U.S.\$1.1 trillion in total assets. The fund’s core strategy is to invest in assets that can deliver steady, moderate returns to its investors over the long term. The team has experience investing into regulated and unregulated utilities in the UK and is led by experienced infrastructure industry executives.

The principal objects of ENW as set out in clause 3 of its Memorandum of Association are to carry on all or any of the business of purchasing, importing, generating, transmitting, transforming, converting, distributing, supplying, exporting and dealing in electricity and all other forms of energy and products or services associated therewith; to do anything which a public electricity supplier is empowered or required to do under or by virtue of or under a licence or other authorisation granted under the Electricity Act 1989 or any statutory instrument made thereunder or any statutory modification or re-enactment thereof; to provide or procure the provisions of such facilities and services as may be necessary or desirable to forecast electricity/energy demand and to satisfy such demand; to borrow or raise money or secure or discharge any debt or obligation (whether of the Company or of any other person) in such manner as the Company thinks fit and, in particular (but without prejudice to the generality of the foregoing). by the creation or issues, upon such terms as to priority or otherwise as the Company thinks fit, or securities of any kind or mortgages or charges (fixed or floating) founded or based upon all or any part of the undertaking, property, assets and rights (present and

future) of the Company, including its uncalled capital, or without any such security and to receive money on deposit and advance payments with or without allowance of interest..

Board of Directors

The directors of ENW and their functions within ENW are as follows:

Name	Position
Stephen Johnson	Chief Executive Officer
Carol Thompson	Chief Financial Officer
Michael Boxall	Non-Executive Director
Surinder Toor	Non-Executive Director
Niall Mills	Non-Executive Director
John Gittins	Non-Executive Director

None of the directors of ENW performs activities outside the NWEN Financing Group which are significant with respect to the NWEN Financing Group. Except for certain cross-group directorships, there are no existing or potential conflicts of interest between the directors' duties to ENW and/or their private interests or other duties.

The company secretary of ENW is Chantal Forrest.

The business address of each of the directors is ENW's registered office, which is Dalton House, 104 Dalton Avenue, Birchwood Park, Birchwood, Warrington WA3 6YF.

Name	Experience
Stephen Johnson Chief Executive	Joined ENW in September 2008 from Morrison plc where he was Managing Director, having previously been with UU as Managing Director of its Industrial and Commercial Business. Stephen previously worked for Norweb and Yorkshire Electricity and is a member of the Institute of Engineering and Technology.
Carol Thompson Chief Financial Officer	Joined ENW in April 2009 and is a fellow of the Chartered Institute of Management Accountants, a Non-Executive Director for 5 Boroughs NHS Trust and an Economics graduate.
Michael Boxall	Non-executive director and former employee of ENW. Michael joined the board in February 2002. He was recruited by UU in 2000 to head the Electricity Regulation team, having previously spent 22 years at Manweb in commercial, strategy and regulation roles. He was heavily involved in the creation of the competitive electricity markets in GB, both in preparation for privatisation in 1990 and in the roll out of competition to domestic customers in 1998. He led the project to create a single industry-wide data transfer service and spent 11 years as a director of ElectraLink Ltd. He retired from the position of Regulation Director in September 2007. He has a BSc in Economics from University College London.
Surinder Toor	Non-executive director joined the ENW board in June 2009, member of the North West Electricity (Jersey) board of directors representing

the ultimate controller IIF Int'l Holding GP Ltd. Surinder is a Vice President of JP Morgan's Infrastructure Investments Group in London. Previously, he was the CFO at Scotia Gas Networks plc and prior to that he was Managing Director of American Electric Power's European operations. He has also held positions with Arthur Andersen's Energy & Utilities Group, PowerGen plc and at PWC, where he started his career. He holds an MA degree in Engineering, Economics and Management from St John's College, University of Oxford and is a Chartered Accountant. In addition to ENW, he holds directorships in the holding companies of Zephyr (wind generation) and Southern Water.

Niall Mills

Non-executive director joined the ENW board in June 2009, member of the North West Electricity (Jersey) board of directors representing the ultimate controller Commonwealth Bank of Australia. Niall is a board director of Anglian Water Group and has more than 20 years of infrastructure and engineering/project management experience. His most recent role was as Asset Director for Southern Water in the UK. Prior to this, he held senior roles with Novar Projects (airport sector), Bechtel (rail and water sectors) and North West Water Engineering (water sector).

Niall has a Masters of Business Administration from the London Business School, an Institute of Directors Diploma in Company Directorship, a Bachelor of Engineering (Hons) and is a Chartered Member of the Institution of Civil Engineers.

John Gittins

Non-executive director, joined the Board in July 2009. John is Chief Financial Officer and Company Secretary of Begbies Traynor Group plc, an AIM listed company. After an economics degree, he qualified as a chartered accountant with Arthur Andersen in 1986 and worked in their audit practice in the UK and Australia until 1993 when he joined Spring Group plc as Group Finance Director and Company Secretary.

Audit Committee

The ENW board established an audit committee of the Board at its meeting on 23 June 2009. The members were resolved to be Niall Mills, Surinder Toor and Michael Boxall. John Gittins will also sit on the ENW audit committee (Michael Boxall will cease to be a member of this committee once this appointment is made). The audit committee terms of reference are based on the ICSA Guidelines and include the following stipulations: all members of the committee shall be non-executive directors, at least one of whom shall have recent and relevant financial experience; the external auditors will be invited to attend meetings of the committee on a regular basis; the committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required. The duties of the committee include monitoring the integrity of the financial statements of the company, including its annual and half-yearly reports and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain; reviewing whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor; keep under review the effectiveness of the company's internal controls and risk management systems; and monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management system.

Corporate Governance

Combined Code

As a private company, having listed bonds and no listed equity, ENW is not bound to comply with the Code. It is, however, required by standard condition 44.12 of its Licence, to include a corporate governance statement in its financial statements that has the coverage and content of the corporate governance statement that a quoted company is required to prepare under the Code.

Capitalisation

The capitalisation of ENW as at the date of this Prospectus is as follows:

Share Capital ⁽¹⁾

Authorised Share Capital	Issued Share Capital	Value of each Share	Shares Fully Paid Up	Shares Quarter Paid Up	Paid Up Share Capital
£	£	£			£
284,999,999	238,410,670.50	0.50	476,821,341	0	238,410,670.50

Note:

(1) There are also four fully paid up 50 pence “A” ordinary shares in issue with an authorised share capital of £2.

Description of the ENW Business

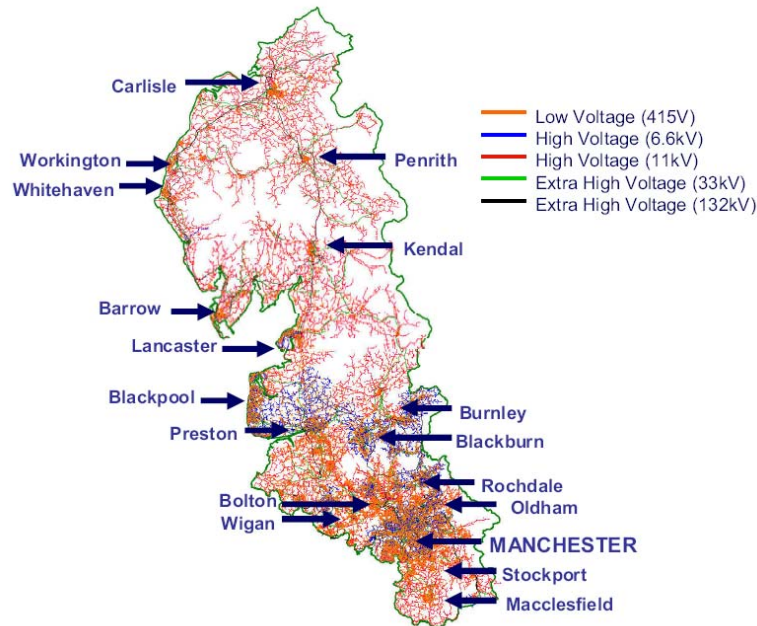
Note: the Licence uses “customer” to refer, on some occasions, to a source of revenue but far more often to refer to a consumer of electricity. In this Prospectus, “customer” refers to a source of revenue (in the main, suppliers of electricity from whom ENW derives more than 90 per cent. of its revenues) and “consumer” refers to a user of electricity.

ENW owns one of the 14 regulated electricity distribution networks in England, Wales and Scotland, which were privatised along with other parts of the electricity industry during the 1990s.

The principal activity of ENW is the distribution of electricity in the north west of England (which covers the Greater Manchester conurbation, the easterly fringes of the County of Merseyside, Lancashire, Cumbria and parts of Cheshire). The southern part of the region is largely urban whereas the north is more rural and contains the Lake District National Park. ENW’s responsibilities as a licensed DNO are defined by the Electricity Act 1989 (as amended by the Utilities Act 2000) and the Licence granted under that legislation.

ENW’s distribution network (please see diagram below) carries electricity from the National Grid along power lines to consumers’ premises on behalf of the electricity supply companies who are ENW’s principal customers. As at 31 March 2009, the distribution network comprised 13,038 kilometres (km) (31 March 2008: 13,028 km) of overhead lines, 43,794 km (31 March 2008: 44,708 km) of underground cables, 18,432 (31 March 2008: 18,242) ground mounted sub-stations and 16,283 (31 March 2008: 16,243) pole mounted transformers. These assets delivered approximately 25,340 gigawatt hours of electricity to approximately 2.4 million consumer premises in the year ended March 2009 (31 March 2008: 25,602 gigawatt hours). ENW does not generate or trade electricity.

ENW distribution network



Source: ENW

Under its Licence, ENW's revenue in any year which may be derived from activities other than the conduct of its distribution business ("De Minimis Activities") is limited to 2.5 per cent. of the revenue from the distribution business. The aggregate investment in De Minimis Activities is also limited by the Licence, broadly to 2.5 per cent. of shareholders funds as shown in the Regulatory Accounts¹. In this regard, ENW therefore does not currently propose to introduce any significant new products, nor does it currently propose to undertake any new activities outside its core distribution business. The bulk of ENW's revenue from its distribution business is subject to price controls set by the regulator, GEMA, which acts through Ofgem, its executive arm. These controls are currently re-set at the start of each five-year regulatory period. The current price control runs from 1 April 2005 to 31 March 2010.

In all regulatory periods to date, the permitted charges for distributing electricity have been directly related to the quantity of electricity distributed for the electricity supply companies (ENW's principal customers) which have contracts to supply energy to consumers' premises in ENW's area, with the result that revenues are sensitive to changes in the demand for electricity in north-west England. With effect from April 2005, permitted charges are also directly related to the number of new connections to the distribution network at which a supply of electricity may be taken. Under contracts entered into since 1 April 2005, charges to generators connected to ENW's network (all of whom have small outputs relative to a typical electricity generation station connected to the National Grid) are set on a capacity connected basis with the consequence that revenues from that source are not dependent on the generators' output. It is Ofgem's publicly stated intention that the regulatory treatment for demand charges will change from 2010, with the result that revenues will no longer be dependent on consumers' energy consumption.

¹ Please refer to Standard Condition 29.10.

Demand for electricity is affected by such factors as growth and movements in population, social trends, economic and business growth or decline, changes in the mix of energy sources used by consumers, weather conditions, energy efficiency measures and other factors.

While one influence upon the profit derived from the distribution business of ENW is the usage of electricity within the area served by the company's distribution network, profits also depend on operational efficiency, achieved by reducing and controlling costs, the level of electrical losses measured between input from the National Grid and output at consumers' premises or assets and the provision of high standards of service (for which there are both incentives and regulatory penalties for falling below minimum standards set out in the special licence conditions applicable to ENW for the current five-year regulatory period). In the latter regard, key performance measures for ENW's business relate to quality of supply and, particularly, the availability of supply. Electricity supplies were available for 99.99 per cent. (31 March 2008: 99.99 per cent.) of the time during the financial year ended 31 March 2009, sustaining ENW's high level of performance in managing the network to maintain constant supplies for consumers. All of the overall standards of performance set by GEMA were achieved.

Under the regulatory Interruptions Incentive Scheme, ENW has been set network performance targets for the number and duration of consumer supply interruptions. The average number of interruptions per 100 connected consumers for the year ended 31 March 2009 was 48.39* (31 March 2008: 50.7), out-performing the regulatory target for the year of 57.1 (31 March 2008: 57.1). The average number of minutes for which consumers were without supply was 50.9* (31 March 2008: 48.2), better than the regulatory target for the year of 54.7 minutes (31 March 2008: 56.4) (figures denoted by * are subject to Ofgem audit and exclude severe storms and other exclusions in accordance with Ofgem rules).

Capital investment in property, plant and equipment for the year ended 31 March 2009 was £182.3 million (31 March 2008 was £214.3 million). This is within regulatory assumptions and reflects the planned phasing of expenditure across the 2005-10 regulatory review period.

Subject to the capital investment detailed in this Chapter 9 (*ENW Business Description*) ENW has not made any principal investments since 31 March 2009 (being the date of its last audited financial statements) and has no current commitments to make any principal future investments.

As at 18 June 2009, ENW had 91 employees. A further 1136 UUES full time personnel are actively involved in the provision of outsourced services by UUES under the ASA.

Financial Overview

For the year ended 31 March 2009, revenue increased by 4.9 per cent. to £341.8 million (31 March 2008: £325.9 million), reflecting colder weather conditions and increased revenue on standard charges and un-metered activity. In addition non regulated income with relation to street lighting and a specific engineering project at Whitegate further increased revenues on a year on year basis. Operating profit increased by 1.5 per cent. to £181.5 million at 31 March 2009 (31 March 2008: £178.8 million), primarily reflecting the increase in revenue. Capital investment in property, plant and equipment for the year was £182.3 million (2008: £214.3 million). This is within the regulatory assumptions and reflects the re-phasing of expenditure across the 2005-10 regulatory period.

Asset Services Agreement

General

Prior to the sale of ENW, and with effect from 1 April 2007, UU adopted a revised operating model which separated asset ownership from asset operations, maintenance and capital delivery by creating UUES, now a wholly-owned subsidiary of UU.

Pursuant to the ASA (originally signed in March 2007 and subsequently amended) between ENW and UUES, ENW sets the investment strategy and policies to be complied with in the operation and development of the network and is responsible for regulatory compliance and negotiations with the regulator. UUES operates the assets and delivers the capital programme on ENW's behalf. The ASA has a term of eight years but with a price re-negotiation effective from 1 April 2010 and a right of termination if UUES and ENW are unable to agree operations and maintenance target costs which are aligned to Ofgem's regulatory determination for ENW in respect of regulatory period DPCR5 (the period from 1 April 2010 to 31 March 2015). It allows ENW to concentrate on its asset ownership strategy while mitigating a portion of the operational risk. It also establishes a long-term partnership with aligned objectives between ENW and UUES, and allows ENW to focus on strategy and high-level policy direction while UUES concentrates on network operations, capital delivery, customer service and safety.

Services

Pursuant to the ASA, UUES provides the following primary services:

- (a) “**Operations and Maintenance Services**” - a 24-hour service to operate, maintain and repair the electricity network, so as to ensure continuity of electricity supply to all customers. It also provides call-handling and customer response and service.
- (b) “**Capital Delivery Services**” - the design and construction of new assets to replace, refurbish and reinforce the existing network.
- (c) “**Connections Services**” - the design and construction of new connections to the network, including the management of the customer interface.
- (d) “**Fixed Fee Services**” - the provision of a range of services ancillary to the distribution of electricity across the network to third parties, such as cable diversions and alterations (for example, at the request of developers) or the movement of points of connection to the network at the request of consumers.
- (e) “**Commercial Income Services**” - further ancillary services of uncertain volume, such as major diversions.

In respect of Operations and Maintenance Services and Capital Delivery Services, the ASA is a target cost contract with “pain/gain” incentives shared between ENW and UUES and, subject to the effects of that mechanism, UUES is rewarded by a management fee of 5 per cent. of target costs. For regulatory reasons, Connections Services are paid for by ENW on the basis of the estimated costs quoted to customers while Commercial Income Services are remunerated on the basis of actual costs incurred plus a management fee of 5 per cent. of those costs. Fixed Fee Services are remunerated on the basis of actual costs incurred plus a fixed annual fee payable in monthly instalments. Target costs for Operations and Maintenance Services are pre-set cash amounts for each of the first three years of the agreement subject to certain defined adjustments, including adjustment up or down where the United Kingdom Retail Price Index (“**RPI**”) differs from 2.75 per cent.

UUES is also incentivised by reference to a basket of consumer service and asset performance key performance indicators (“**KPIs**”), and can earn a performance payment or suffer penalties where performance exceeds or underperforms agreed targets. These KPIs cover the most important regulatory obligations and performance measures, including quality of service, health and safety and customer satisfaction.

The total liability of UUES to ENW under the ASA over the eight-year period is capped at £30 million. This cap does not apply to the indemnities provided by UUES in case of fraud, death, personal injury or failure by UUES to fulfil any of its insurance obligations. The obligations of UUES to make payments to ENW are guaranteed (in an amount not exceeding the limit set by the £30 million liability cap) by UU.

ENW considers that the ASA offers the following benefits:

- (a) There are defined operating cost targets for the first three years (i.e. to 2010), which reduces the risk to ENW of any variation in costs from the cost targets set over that period.
- (b) The ASA is aligned to ENW's current business plan, which incorporates continued operating cost reductions through planned efficiency programmes and delivers incentive-based revenues from service performance targets.
- (c) The provider of the services under the ASA is a subsidiary of UU, one of the most experienced utility operators in the United Kingdom and which has the largest portfolio of utility outsourcing contracts in the UK with an established record of using this expertise to improve the efficiency of UK utilities.
- (d) By separating ownership from operations, ENW can focus on its commercial, regulatory and financial strategy and link this directly to the strategic long-term development of the underlying asset base.

Termination

The ASA may be terminated in the circumstances and on the terms set out below.

Termination Event	Notice Period
<i>By either ENW or UUES</i>	
Material Breach	180 days following notice, if not remedied or waived
Insolvency	Immediate (subject to the right of ENW, in its absolute discretion, to delay the date of termination where the termination notice is given by ENW)
Force Majeure (for a period in excess of 90 days)	Immediate (subject to the right of ENW, in its absolute discretion, to delay the date of termination where the termination notice is given by ENW)
Fraud	Immediate (subject to the right of ENW, in its absolute discretion, to delay the date of termination where the termination notice is given by ENW)
Licence Revoked	Immediate (subject to the right of ENW, in its absolute discretion, to delay the date of termination where the termination notice is given by ENW)
<i>Termination by ENW</i>	
At Ofgem's request	Immediate (subject to the right of ENW, in its absolute discretion, to delay the date of termination where the termination notice is given by ENW)
UUES liabilities exceed £25 million	180 days following notice, if not remedied or waived
Guarantor failure	10 days following notice, if not remedied or waived (subject to the right of ENW, in its absolute discretion, to delay the date of termination where the termination notice is given by ENW)
<i>Termination by UUES</i>	
Non-payment (for a period exceeding 90 days after the due	10 days following notice, if not remedied or waived

date)	
ENW ceases to have responsibility for significant parts of the assets used in connection with the provision of the Operations and Maintenance Services, the Capital Delivery Services, the Connections Services, the Fixed Fee Services and the Commercial Income Services or otherwise required for carrying on the business (for a period of more than 90 days)	Immediate

Following termination of the ASA, ENW is required to pay UUES for services provided to the date of termination (including the relevant portion of Capital Delivery Services and Operations and Maintenance Services pain/gain and applicable KPI performance adjustments). In addition, following termination of the ASA, the provisions of the “Exit Plan” (described below) apply.

If UUES terminates the ASA, other than for force majeure, or where ENW terminates the ASA as a result of the continued existence of the ASA putting it in breach of its Licence, ENW is liable to UUES for damages and UUES is entitled to recover all direct loss (including loss of profit) or damage incurred by UUES as a result of such termination.

ENW has step-in rights under the ASA in the event that UUES fails to perform its obligations under the ASA.

The ASA is subject to termination on 31 March 2010 if UUES and ENW are unable to agree target costs for operation and maintenance services for the period 2010 to 2015 (the next regulatory period for which price controls are to be set by Ofgem) which are within the regulatory allowance for those costs for that period.

Either party has the option to extend the term of the ASA beyond the initial term ending 31 March 2015 for up to a further five years. Such option must be exercised by giving notice in writing to the other party at least one year before the expiry of the initial term and must be agreed by the other party to the ASA.

Exit Plan

An “Exit Plan” has been agreed between ENW and UUES under the ASA setting out transition arrangements for each function under the ASA with expected timings and resources required to implement the transition. It also sets forth details of all material contracts in place with UUES and the process to be followed to novate these contracts, if required, in the event of the termination of the ASA.

Distributed generation and demand patterns

Apart from the largest offshore projects, low-carbon generation sources from renewables and combined-heat-and-power (“CHP”) are typically of an appropriate scale to connect to distribution networks. New generators may sometimes require new connections, network reinforcement or changes in the use of the existing network. Serving generator customers is currently a small business component but is expected to grow in the future. The last two years have shown increasing government policy interest in this area and this is likely to continue. Examples include: renewables obligation reform; the Department for Business Enterprise and Regulatory Reform (now Department of Energy and Climate Change) and Ofgem review of distributed energy; easing of planning restrictions for micro-generation; on-site renewables targets set by local planning

authorities for new developments; changes to building regulations; future action to implement EU renewable energy and electricity targets in the forthcoming UK Renewable Energy Strategy.

As a result, since 2003 ENW has conducted annual reviews of its forecasts of generator connections at all scales - from large projects through intermediate scale developments to micro-generation. 282MW (31 March 2008: 197MW) of generation was connected between 1 April 2005 and 31 March 2008. In the following years to 31 March 2010 one 180MW offshore wind project and 53MW (31 March 2008: 138MW) from various onshore projects are expected to connect. From 2005 to 2015 it is expected that total connected generation will have risen from 1GW to around 2.3GW, but with a significant shift in later years from the predominance of a small number of large projects to a much larger number of small renewable and CHP schemes distributed over a wider area.

The growth in distributed generation consists of a mixture of export-led projects (large wind and biomass), for which new network is generally required, and demand-offset projects at locations of new and existing electricity demand. Together with schemes to encourage carbon emissions reduction related to energy use, such as CERT (Carbon Emissions Reduction Target - on energy suppliers to reduce domestic emissions) and CRC (Carbon Reduction Commitment - on larger energy users), there could be a reduction of units distributed in the long term. As reported above, ENW is working to influence Ofgem through the price control mechanism so that this does not have a negative effect on ENW's revenue. Local demand growth is likely to continue in areas of urban development, for example housing growth, as suggested by the North West Regional Spatial Strategy published in September 2008, part of the statutory development plan for the North West region.

Insurance

The following summarises the current insurance arrangements. However these policies tend to be placed annually and each year ENW reviews its insurable risks and determines the optimum balance of cover and premium cost. The group maintains cover with reputable underwriters or insurance companies consistent with the generally accepted practices of prudent electricity distribution companies; providing such cover is available in the market on commercially reasonable terms.

ENW maintains conventional all-risk property insurance, including both buildings and contents, for offices, depots and warehouses. The primary and distribution substations are insured. However, overhead towers and wires are not insured as the insurance market does not offer cover for these risks on a consistent basis. Even when, from time to time, market conditions are such that it is possible to obtain a quote for such insurance, there can be no certainty that the premia would be commercially attractive. Similarly, underground cables and other assets are not insured beyond the boundaries of substation sites. The policy covers all properties listed in a schedule of locations provided by ENW. Cover is on a reinstatement basis.

General liability insurance is carried by ENW to a maximum limit of £20 million. The policy deductible is £100,000 for each loss with an annual aggregate of £1 million.

The general liability policy includes cover for financial loss, on a claims made basis, in respect of legal costs and compensation payable for personal injury or damage to property caused by electromagnetic fields ("EMFs").

Employer's liability insurance is carried to a maximum limit of £10 million.

ENW directors and officers are covered by the NWEN (Jersey) directors' and officers' liability insurance which has a limit of liability of £15 million. A policy also insures ENW against theft or fraud with a limit of £10 million.

Save for the directors' and officers' liability insurance policy, all cover is placed by ENW.

Health and Safety

ENW is committed to achieving the highest standards of health, safety and welfare and to eliminating or minimising risks to employees, consumers, the public and the environment where reasonably practicable. The application of sound management practices to all aspects of health, safety and welfare forms a large part of this commitment. Health, safety and welfare are actively managed, controlled and monitored. ENW has a dedicated health and safety policy and management regime in place that aims to minimise accidents and injuries, occupational illness, and damage to property or the environment by applying appropriate risk management strategies. ENW works closely with its Asset Services Provider UUES to ensure that equally high standards are applied in UUES and attends UUES' monthly health and safety fora.

Environmental

ENW supports sustainable development (which includes long-lasting development that protects and enhances the environment, conserves natural resources, maintains strong economic growth and supports the communities that ENW serves). ENW aims to include principles of sustainable development in its business practices and to consider the long-term effects of its decisions. ENW is currently involved in projects that are reducing the impact of company activities on the environment and the following are indicative of the diverse range of the sustainability measures being undertaken:

- ENW is working in conjunction with the electricity industry manufacturers to develop vacuum and solid state insulation for switchgear to eliminate, in the long term, the use of the potent greenhouse gas, sulphur hexafluoride (SF₆), as an insulator. Wherever practicable, ENW invests in low SF₆ loss distribution equipment and designs the network to further reduce the minimal system losses of SF₆ in compliance with UK regulation.
- The production of spoil waste at source from street works activities is minimised where economically viable by the use of trenchless cable laying techniques. Increasingly, excavated spoil is recycled for use as aggregate.
- The reprocessing of PCB-free transformer oils at the Whitebirk CORD facility is a long-established practice, which ensures the efficient reuse of insulating oil that would otherwise require disposal via specialist waste contractors. The recycling of the oil ensures that the need for additional quantities of replacement oil is minimised.
- ENW is committed to raising awareness of environmental issues within its business. It has actively sought to reduce the environmental impact of its office space by encouraging employees to conserve heating and lighting energy while at work, use efficient methods of communication and to reduce the use of paper. It also seeks to minimise the amount of business miles travelled each year in cars through careful planning of journeys and through the use of public transport wherever possible.

Further information on ENW's environmental responsibility is included in Chapter 12 "*Regulation of Electricity Distribution in Great Britain - Environmental regulation of electricity distribution*".

Litigation and Regulatory Proceedings

ENW is not, and has not been, involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ENW is aware) within a period of 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of ENW, nor, so far as ENW is aware, are any such proceedings pending or threatened, except for the investigation being conducted by Ofgem into allegations of abuse of a dominant position by ENW described in Chapter 4 "*Risk Factors*" under "*Risk that ENW's charging policies are judged to be anti-competitive*".

CHAPTER 10
SELECTED ANNUAL CONSOLIDATED FINANCIAL INFORMATION OF NWEN
NWEN

The statutory financial information set out in the following pages is as at the end of and for (i) the year ended 31 March 2009 and (ii) for the period from 15 November 2007 to 31 March 2008 has been extracted without material adjustment from the consolidated financial statements of NWEN for the year ended 31 March 2009. The statutory consolidated financial statements and notes are set out in full in Appendix 1. Deloitte LLP audited the consolidated financial statements and notes thereto. Deloitte LLP is a firm of chartered accountants and registered auditors.

The statements set out in this Chapter 10 should be read in conjunction with the notes to the financial statements set out in Appendix 1.

SELECTED ANNUAL INCOME STATEMENT OF NWEN

	Group	Restated Group
	2009	2008
	£m	£m
Revenue	341.8	98.9
Employee benefits expense.....	(6.5)	(1.8)
Depreciation and amortisation expense.....	(65.9)	(17.9)
Other operating costs.....	(99.0)	(24.9)
Restructuring credit /(charge).....	0.8	(0.7)
Total operating expenses	(170.6)	(45.3)
Operating profit	171.2	53.6
Investment income	2.5	1.8
Finance expense	(133.3)	(10.9)
Profit before taxation	40.4	44.5
Taxation.....	(18.6)	(11.7)
Profit for the year/period	21.8	32.8

SELECTED ANNUAL BALANCE SHEET OF NWEN

	Group	Company	Restated Group	Company
	2009		2008	
	£m	£m	£m	£m
ASSETS				
Non-current assets				
Intangible assets.....	206.2	-	207.5	-
Property, plant and equipment.....	2,101.9	-	1,983.4	-
Investments.....	-	1,145.7	-	1,145.7
Retirement benefit surplus.....	-	-	45.1	-
	<u>2,308.1</u>	<u>1,145.7</u>	<u>2,236.0</u>	<u>1,145.7</u>
Current assets				
Trade and other receivables.....	44.0	35.6	34.4	5.8
Cash and cash equivalents.....	42.3	5.6	101.7	1.4
Derivative financial instruments.....	43.2	-	5.6	0.5
	<u>129.5</u>	<u>41.2</u>	<u>141.7</u>	<u>7.7</u>
Total assets	<u>2,437.6</u>	<u>1,186.9</u>	<u>2,377.7</u>	<u>1,153.4</u>
LIABILITIES				
Current liabilities				
Borrowings.....	-	-	(0.2)	-
Trade and other payables.....	(729.2)	(668.1)	(751.1)	(694.7)
Derivative financial instruments.....	(79.6)	(34.5)	(0.5)	-
Current income tax liabilities.....	(3.3)	-	(24.7)	-
	<u>(812.1)</u>	<u>(702.6)</u>	<u>(776.5)</u>	<u>(694.7)</u>
Net current liabilities	<u>(682.6)</u>	<u>(661.4)</u>	<u>(634.8)</u>	<u>(687.0)</u>
Non-current liabilities				
Borrowings.....	(1,108.2)	(496.9)	(1,076.4)	(458.7)
Deferred tax liabilities.....	(449.9)	-	(467.9)	(0.1)
Provisions.....	-	-	(2.0)	-
Consumer contributions.....	(49.8)	-	(19.2)	-
Refundable customer deposits.....	(8.2)	-	(10.1)	-
Retirement benefit obligations.....	(27.5)	-	-	-
	<u>(1,643.6)</u>	<u>(496.9)</u>	<u>(1,575.6)</u>	<u>(458.8)</u>
Total liabilities	<u>(2,455.7)</u>	<u>(1,199.5)</u>	<u>(2,352.1)</u>	<u>(1,153.5)</u>
Net (liabilities) / assets	<u>(18.1)</u>	<u>(12.6)</u>	<u>25.6</u>	<u>(0.1)</u>
EQUITY				

	Group	Company	Restated Group	Company
	2009		2008	
	£m	£m	£m	£m
Share capital	3.0	3.0	3.0	3.0
Retained earnings.....	(21.1)	(15.6)	22.6	(3.1)
Total equity	(18.1)	(12.6)	25.6	(0.1)

SELECTED ANNUAL CONSOLIDATED FINANCIAL INFORMATION OF ENW

The statutory financial information set out in the following pages is as at the end of and for each of the two years ended 31 March 2008 and 2009 has been extracted without material adjustment from the consolidated financial statements of ENW for the year ended 31 March 2009. The statutory consolidated financial statements and notes thereto have been placed on display on <http://www.enwltd.co.uk>. Deloitte LLP audited the consolidated financial statements and notes thereto. Deloitte LLP is a firm of chartered accountants and registered auditors.

The statements set out in this Chapter 10 should be read in conjunction with the notes to the financial statements.

SELECTED ANNUAL INCOME STATEMENT OF ENW

	Group	Group
	2009	2008
	£m	£m
Revenue	341.8	325.9
Employee benefits expense	(6.4)	(19.3)
Depreciation and amortisation expense.....	(56.1)	(55.8)
Other operating costs.....	(98.6)	(67.2)
Restructuring credit/(charge).....	0.8	(4.8)
Total operating expenses	(160.3)	(147.1)
Operating profit	181.5	178.8
Investment income	1.0	17.4
Finance expense	(40.2)	(15.9)
Other gains and losses	-	9.0
Profit before taxation	142.3	189.3
Taxation.....	(47.1)	(17.6)
Profit for the year	95.2	171.7

SELECTED ANNUAL BALANCE SHEET OF ENW

	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>2009</u>		<u>2008</u>	
	£m	£m	£m	£m
ASSETS				
Non-current assets				
Intangible assets.....	19.2	19.2	20.6	20.6
Property, plant and equipment.....	2,086.1	2,089.1	1967.2	1970.2
Retirement benefit surplus.....	-	-	45.1	45.1
	<u>2,105.3</u>	<u>2,108.3</u>	<u>2,032.9</u>	<u>2,035.9</u>
Current assets				
Trade and other receivables.....	44.0	44.0	33.9	33.9
Cash and cash equivalents.....	36.7	36.7	100.3	100.3
Derivative financial instruments.....	43.2	43.2	5.1	5.1
	<u>123.9</u>	<u>123.9</u>	<u>139.3</u>	<u>139.3</u>
Total assets	<u><u>2,229.2</u></u>	<u><u>2,232.2</u></u>	<u><u>2,172.2</u></u>	<u><u>2,175.2</u></u>
LIABILITIES				
Current liabilities				
Borrowings.....	(10.0)	(10.0)	(0.2)	(0.2)
Trade and other payables.....	(105.9)	(106.0)	(94.7)	(94.8)
Derivative financial instruments.....	(45.1)	(45.1)	(0.5)	(0.5)
Current income tax liabilities.....	(3.3)	(3.3)	(24.7)	(24.7)
	<u>(164.3)</u>	<u>(164.4)</u>	<u>(120.1)</u>	<u>(120.2)</u>
Net current (liabilities)/assets.....	<u>(40.4)</u>	<u>(40.5)</u>	<u>19.2</u>	<u>19.1</u>
Non-current liabilities				
Borrowings.....	(611.3)	(611.3)	(617.7)	(617.7)
Deferred tax.....	(288.8)	(289.7)	(303.9)	(304.8)
Provisions.....	-	-	(2.0)	(2.0)
Consumer contributions.....	(397.4)	(397.4)	(362.6)	(362.6)
Refundable customer deposits.....	(8.2)	(8.2)	(10.1)	(10.1)
Retirement benefit obligations.....	(27.5)	(27.5)	-	-
	<u>(1,333.2)</u>	<u>(1,334.1)</u>	<u>(1,296.3)</u>	<u>(1,297.2)</u>
Total liabilities	<u><u>(1,497.5)</u></u>	<u><u>(1,498.5)</u></u>	<u><u>(1,416.4)</u></u>	<u><u>(1,417.4)</u></u>
Total net assets	<u><u>731.7</u></u>	<u><u>733.7</u></u>	<u><u>755.8</u></u>	<u><u>757.8</u></u>
EQUITY				
Called up share capital.....	238.4	238.4	238.4	238.4
Share premium account.....	4.4	4.4	4.4	4.4

	Group	Company	Group	Company
Revaluation reserve	<u>116.4</u>	<u>116.4</u>	<u>117.8</u>	<u>117.8</u>
Capital redemption reserve	8.6	8.6	8.6	8.6
Retained earnings.....	<u>363.9</u>	<u>365.9</u>	<u>386.6</u>	<u>388.6</u>
Total equity	<u>731.7</u>	<u>733.7</u>	<u>755.8</u>	<u>757.8</u>

CHAPTER 11 RINGFENCING

In common with the other DNOs, the standard conditions of its Licence (the “**Standard Conditions**”) impose on ENW certain restrictions and obligations designed to ensure, so far as practicable, that its electricity distribution business (the “**Distribution Business**”) is ringfenced from other businesses and from financial risks arising otherwise than from the conduct of the Distribution Business. In general, any departure from any of the restrictions is permitted only if it has the prior approval of Ofgem (given after full disclosure of all relevant facts). The current form of these provisions has been influenced by the cumulative experience of Ofgem and the Monopolies and Mergers Commission (now the Competition Commission) of leveraged acquisitions (and proposals for such acquisitions) of “regional electricity companies” (of which ENW was, at the time, one) in the 1990s.

Regulatory Ringfencing

The principles which give effect to regulatory ringfencing are enshrined in the Standard Conditions of the Licence and are, in summary, as follows:

- *Focus on the Distribution Business*

With limited exceptions (including non-core activities for which Ofgem has provided its consent and non-core activities within an aggregate limit of 2.5 per cent. of the turnover from its Distribution Business), ENW must confine its activities and investments to the conduct of its Distribution Business (Standard Condition 29).

- *Restrictions on Asset Disposals*

The disposal of, or relinquishment of operational control over, assets used in the Distribution Business is controlled with a view to ensuring that the operational integrity of the network is not prejudiced (either immediately or upon the occurrence of a future contingency) (Standard Condition 26).

- *Restrictions on Encumbrances and Guarantees*

ENW may not grant any mortgage, charge, pledge, lien or other form of security or encumbrance over its assets to a third party, incur any form of indebtedness to such a third party or enter into any guarantee of another’s obligations except on arm’s length normal commercial terms and for a “Permitted Purpose” (essentially the purposes of the Distribution Business or a transaction permitted by Standard Condition 41.3, which includes the payment of a dividend or other distribution out of distributable reserves as described below) (Standard Condition 41.2).

- *Restrictions on Dealings with Affiliates*

The transfer, leasing, licensing or lending of any sum, asset, right or benefit to any affiliate or related undertaking is prohibited unless ENW holds an Investment Grade Issuer Credit Rating (which, if it is the lowest investment grade credit rating, is not under review for downgrade or otherwise on credit-watch or rating watch with negative implications) or has received the specific consent of Ofgem to the transaction and the transaction is:

- (a) for the purchase on arm’s length terms of goods and services;
- (b) the declaration and payment of a dividend or other distribution out of distributable reserves (including a repayment of capital);

- (c) servicing or redeeming a permitted debt (essentially one raised for a “Permitted Purpose” - see above);
- (d) the purchase of tax losses (at no more than their value to ENW); or
- (e) an investment allowed by Standard Condition 29 (see above).

(Standard Conditions 41.3-41.9)

- *Restrictions on Paying Dividends and Distributions - Investment Grade Issuer Credit Rating*

If ENW does not hold an Investment Grade Issuer Credit Rating (or holds the lowest investment grade credit rating and that rating is under review for downgrade, or otherwise on credit-watch or rating watch with negative implications), there are much more extensive restrictions on the transactions it can enter into with an affiliate or related undertaking (including transactions relating to the declaration and payment of dividends and payments under intragroup loans) without the specific consent of Ofgem (Standard Condition 41.10). The Licence does, however, state that any repayment of, or payment of interest on, an intercompany loan (such as the NWEN/ENW Loan Agreement) which is (i) entered into on an arms’ length basis on normal commercial terms and applied for a “Permitted Purpose”, and (ii) entered into prior to the date of the abovementioned ratings events would be permitted under the Licence, provided that any such payment is not made earlier than the original due date for payment in accordance with its terms.

- *No Cross-Default Obligation*

ENW is subject to restrictions on its ability to enter into (or remain in) any agreement or incur any commitment that incorporates a cross-default obligation (Standard Condition 41.11).

- *Investment Grade Issuer Credit Rating*

ENW must take all available steps to maintain an Investment Grade Issuer Credit Rating within the meaning defined by the Licence (Standard Condition 40).

- *Adequacy of Available Resources*

ENW must act in a manner designed to ensure that it at all times has the resources (financial and non-financial) to conduct its Distribution Business in conformity with all Licence and legal obligations, including the obligation to develop and maintain an efficient, co-ordinated and economical system of electricity distribution. The Licence also requires annual certification to Ofgem by the directors (supported by a statement of the main factors taken into account, a working capital statement and an auditors’ report) of their reasonable expectation of the sufficiency of resources (after taking account of anticipated dividend declarations) for the conduct of the Distribution Business for the next 12 months. In addition, before declaration of any dividend (or any other action having an economic effect equivalent to a distribution to shareholders) the directors are required to certify to Ofgem full compliance with the Licence conditions relating to the provision of information to Ofgem (see below) and the establishment and maintenance of the ring fence as described in this Chapter, and that there is no reason to foresee a material breach of those provisions within the next 12 months (Standard Condition 30).

These conditions are set in the context of the following obligations as regards the provision of undertakings, compliance certificates and other forms of information to Ofgem:

- *Ultimate Controller Undertakings*

Standard Conditions 6 and 31 of the Licence require ENW to secure from each ultimate controller of ENW (defined to include any person who, alone or in conjunction with others, is in a position to exercise significant influence over the policy of ENW) (an “**Ultimate Controller**“) a legally enforceable undertaking in a form approved by Ofgem that it (and others controlled by it) will both refrain from any action which would be likely to cause ENW to be in breach of any of its obligations under the Electricity Act 1989 or the Licence, and also provide to ENW all such information as it needs to undertake its obligations under the Licence. Standard Conditions 6 and 31 contain provisions intended to ensure that the Ultimate Controllers’ undertakings under Standard Conditions 6 and 31 prevail over any agreement between ENW and any Ultimate Controller of it.

- *Provision of Information to Ofgem*

Standard Condition 6 requires ENW to provide information (other than information which attracts legal privilege) to Ofgem upon request. There are also provisions in the Licence imposing on the directors of ENW a positive obligation to provide information to Ofgem (whether or not requested by Ofgem), including any information which causes the directors materially to doubt the continuing validity of any previous certification to Ofgem of their future expectations (Standard Conditions 6, 31 and 30.4).

- *Transparency to the Public*

Standard Condition 44 requires ENW to prepare and publish (within three months of the end of the year to which they relate) on its web site (and otherwise make freely available) audited Regulatory Accounts in a form similar to the statutory accounts, but including certain additional disclosures.

One of the practical consequences of these conditions is the full and rapid availability to Ofgem of information of a kind capable of informing its judgments about the financial health of licensees and the exercise of its powers of inquiry and investigation.

On 4 December 2008, Ofgem released a position paper entitled “Arrangements for responding in the event that a network company experiences deteriorating financial health”, which outlines its intention to develop and publish a procedural manual for guidance for dealing with energy companies in financial distress. The purpose of the procedural manual will be to set out in a single document a detailed response plan to a case of financial distress, providing guidance and clarity of the indicative process to stakeholders. In the paper, Ofgem also states that, in light of the prevailing economic conditions, it considers that it is an appropriate time to review the existing monitoring arrangements to determine whether they continue to provide it with the best possible information on the financial health of licensees in a timely manner. On 11 May 2009, Ofgem published for consultation its draft response plan, which provides guidance on the procedures Ofgem may apply in the event of all levels of financial distress in an energy network operator up to and including energy administration. Ofgem has stated that it has tested these procedures by a simulation exercise, believes them to be robust and will review them periodically to ensure the plan remains up to date and continues to set out an efficient basis for responding to a case of financial distress.

CHAPTER 12

REGULATION OF ELECTRICITY DISTRIBUTION IN GREAT BRITAIN

Overview

The electricity industry in Great Britain is regulated under the Electricity Act 1989 (the “**Electricity Act**“), the Utilities Act 2000 (the “**Utilities Act**“), the Energy Act 2004 and the Energy Act 2008 (the “**Energy Act**“). The Electricity Act, as amended by the Utilities Act, requires all companies distributing electricity in Great Britain to be licensed unless they are covered by an exemption. Economic regulation pursuant to these licences is the responsibility of the GEMA, which acts through an executive office, Ofgem. Ofgem also exercises powers on behalf of GEMA under UK competition legislation, most significantly the Competition Act 1998 and the Enterprise Act 2002 (the “**Enterprise Act**“).

The first priority of Ofgem is protecting consumers by promoting competition, wherever appropriate, and regulating the monopoly companies which run the gas and electricity networks. Other stated priorities and influences include:

- helping to secure Britain’s energy supplies by promoting competitive gas and electricity markets, as well as regulating them so that there is adequate investment in the networks;
- contributing to the drive to curb climate change and other work aimed at sustainable development by, for example:
 - helping the gas and electricity industries to achieve environmental improvements as efficiently as possible; and
 - taking account of the needs of vulnerable consumers, particularly older people, those with disabilities and those on low incomes.

Ofgem recovers its costs from the licensed companies it regulates, who are obliged to pay an annual licence fee, which covers Ofgem’s costs. Ofgem is independent of the companies it regulates. Ofgem operates under a five-year cost control regime, with the current regime being 2004-2009. This regime pegs Ofgem’s expenditure growth at 3 percentage points below the retail price index.

Consultation papers and other documents published by Ofgem are available through Ofgem’s website, at the date of this Prospectus being <http://www.ofgem.gov.uk>.

The Licence

The current form of electricity distribution licence in Great Britain dates from 2001. The licences continue in force for an indefinite period, subject to potential termination rights described in Chapter 4 “*Risk Factors - Risk Factors relating to the Electricity Industry and ENW - Termination of the Licence*”.

ENW holds a Licence that authorises it to distribute electricity in Great Britain. Pursuant to its Licence, ENW distributes electricity across its distribution system covering an area in north-west England comprising 2.4 million consumer premises. All electricity distribution licences (including ENW’s Licence) incorporate a number of Standard Conditions which are augmented by a series of amendments or special licence conditions.

Standard Conditions impose certain restrictions and obligations upon the licensee in respect of its Distribution Business. These include:

- the obligation to operate the Distribution Business in a way that is calculated to ensure that it does not restrict, prevent or distort competition in the supply of electricity or gas, the shipping of gas, the generation of electricity or participation in the operation of an interconnector (Standard Condition 4);
- obligations as regards connection and metering services, including the obligation to provide non-contestable connection services (i.e. connection services which only the licensee can provide) in relation to the connection of premises to ENW's distribution system (Standard Condition 15), the obligation to enter into an agreement with an applicant which authorises that applicant to connect metering equipment to ENW's distribution system (Standard Condition 16) and the obligation to enter into an agreement with an electricity supplier for the provision of metering point administration services (Standard Condition 17);
- the obligation not to discriminate in respect of certain activities, including carrying out of works for the purposes of connection to ENW's distribution system, modifying or retaining an existing connection, non-contestable connection services, connecting metering equipment to its distribution system and metering point administration services (Standard Condition 19);
- the obligation to comply with certain industry codes and agreements relating to distribution (Standard Conditions 20-23), including:
 - the Balancing and Settlement Code (which contains the rules and governance arrangements for electricity balancing and settlement in Great Britain);
 - the Connection and Use of System Code (the contractual framework for connection to, and use of, National Grid's high voltage transmission system);
 - the Distribution Code (all DNOs are obliged to maintain a Distribution Code detailing the technical parameters and considerations relating to connection to, and use of, their electrical networks);
 - the Distribution Connection and Use of System Agreement (which provides a single centralised document covering the connection to and use of the distribution networks);
 - the Grid Code (which is designed to permit the development, maintenance and operation of an efficient, co-ordinated and economical system for the transmission of electricity, to facilitate competition in the generation and supply of electricity and to promote the security and efficiency of the power system as a whole);
 - the Master Registration Agreement (the multi-party agreement between all DNOs and electricity suppliers which sets out the inter-operational arrangements that support the processes for the registration of a change of electricity supplier in the UK retail market); and
 - the Fuel Security Code (which enables the UK government to direct the electricity industry to provide information on power supplies and to take specific actions to manage a projected deficit between electricity demand and generation);
- the obligation to comply with certain planning standards in order to ensure the integrity and development of its distribution network (Standard Condition 24) and, except as specifically provided for, to refrain from disposing of, or relinquishing control over, any asset forming part of its distribution network (Standard Condition 26);
- restrictions on the payment of dividends - the board of directors of ENW must provide a certificate of compliance before declaring dividends affirming that they are satisfied that ENW is in compliance

with relevant Licence obligations including that it has sufficient resources and that the making of the distribution will not cause it to be in material breach of any of those obligations in the future (Standard Condition 30);

- ringfencing obligations in respect of financial and management resources of the licensed business (Standard Conditions 29-31); and
- restrictions on the indebtedness of ENW and on the transfer of funds to associated companies (Standard Condition 41).

See Chapter 11 “*Ring Fencing*” above for a further description of certain provisions of the Licence. The full terms of the Licence are available through Ofgem’s website, at the date of this Prospectus being <http://www.ofgem.gov.uk/Licensing/Pages/Licensing.aspx>.

Licence conditions can be modified by Ofgem either with the agreement of the licensee (or, in the case of Standard Conditions, with the agreement of the requisite proportion of licensees) or following reference to the Competition Commission for a decision on public interest grounds. While a licence is for an indefinite period, it can be terminated on 25 years’ notice given by the Secretary of State. A licence can also be revoked in certain circumstances, including where the licensee fails to comply with an enforcement order made by Ofgem. Breach of a licence condition can attract fines of up to 10 per cent. of the licensee’s annual turnover in the year preceding the date on which Ofgem gives notice of its proposal to impose a penalty. Ofgem has published a statement of the policy that it intends to apply to the imposition of any penalty and the determination of its amount. Any such penalty can be appealed, on procedural grounds only, to the High Court.

In practice, many regulatory issues arising between licensees and Ofgem are settled without the need to resort to formal proceedings. However, where Ofgem is satisfied that a company is in breach of the terms of its licence, it has powers to secure compliance by means of an enforcement order. If a company does not comply with the order, as well as potentially giving rise to third party action, compliance can be enforced by the courts, and Ofgem may revoke the licence.

The Energy Act 2004 introduced a special administration regime, applicable to the holders of electricity distribution licences, described further in the section below entitled “*Energy Administration Orders*”. Ofgem or the Secretary of State can appoint a special administrator to take over the management and operation of the company to secure its financial recovery in the event of actual or threatened insolvency of the licensee. See “*Energy Administration Orders*” below.

ENW is required to maintain certain standards relating to the quality of supply of electricity in its Licence area. These standards take the form of guarantees at the individual customer level and are subject to monitoring and compliance audits. Failure to meet guaranteed standards of performance will result in a prescribed compensation payment to the customer concerned. In addition, Ofgem can impose fines on licences which fail to achieve the guaranteed standards or are in breach of other Licence obligations.

Price control

Ofgem currently regulates electricity distribution charges by capping regulated revenues expressed in pence per kilowatt hour. Ofgem conducts a periodic review and sets price caps, currently every five years. This price cap is set by reference to inflation as measured by RPI plus an adjustment factor known as “X”, which is specific to each company and which can vary for each year of the review period. The size of a company’s X factor (which can be positive, negative or zero) reflects the scale of its capital investment programme, its cost of capital and its operational and environmental obligations, together with scope for it to improve its efficiency. The last periodic review was completed at the end of 2004 and covers the period from 1 April 2005

to 31 March 2010. For the 2005-10 review period, ENW was allowed a real (excluding inflation) price increase of 8.2 per cent. in 2005/06 followed by constant real prices thereafter (i.e. the “X” factor is zero).

Price cap regulation as operated in the UK is performance-based. Licensees are incentivised to be efficient both in terms of their operating costs and in the implementation of their capital expenditure programme. The benefit of efficiency savings achieved through effective management is retained by the companies for a period of up to five years, after which time the benefit is passed to customers via the price setting process. The cost of any under-performance due to poor management is borne by the companies. An incentive scheme was introduced by Ofgem in April 2002 which provided greater focus on three specific service areas: (a) the number of interruptions to consumers’ supplies; (b) the length of those interruptions; and (c) the quality of the telephone response to customers. Ofgem consulted on its approach to the incentive scheme as part of the price control review and again in 2006, including the form of the scheme, targets and associated costs. It has been agreed that the DNOs’ performance in those areas would continue to be incentivised until the end of the next price control period (31 March 2015). Under the incentive scheme, ENW is subject to annual rewards and penalties depending upon its performance against pre-specified targets. Both rewards and penalties under the incentive scheme are currently capped at 3.0 per cent. of annual revenues.

Under the terms of their licences, DNOs must produce and implement charging methodologies for both connection to and use of their distribution systems. The methodologies are required to set out the principles and methods by which electricity distribution charges will be calculated. The methodologies must be approved by Ofgem.

Ofgem published its first consultation document for the review of price caps to be applied in the 2010-2015 period on 28 March 2008. This initial consultation document set out the Ofgem objectives for the fifth such Distribution Price Control Review (“**DPCR5**”). Ofgem’s overall objective is for the DPCR5 price control to protect current and future electricity consumers by encouraging secure and sustainable distribution networks. There are several dimensions to sustainability which drive the three key themes that will run throughout DPCR5:

- **environment:** ensuring that the price control gives the DNOs strong financial incentives to play a full role in tackling climate change. This price control needs to be flexible enough to accommodate technology change and new opportunities which may arise for DNOs between 2010 and 2015;
- **consumers:** encouraging the DNOs to respond to the needs of current consumers and future ones, and to strike the appropriate balance between delivering quality of service and managing network costs; and
- **networks:** incentivising DNOs to invest efficiently so that security of supply is provided at a reasonable cost.

An overarching objective of Ofgem is to encourage DNOs to be active in setting the priorities and strategies for their businesses based on an assessment of their customers’ current and future needs. Ofgem has stated that increased consultation with local stakeholders and a willingness from DNO management to think creatively about their business plans is essential if the industry is to move towards more sustainable networks and to meet specific objectives related to the environment, consumers and security of supply.

Ofgem has held a series of public workshops to develop these themes and a wide range of different working level meetings with all DNOs on specific topics pertinent to the review. In addition, each DNO has had three formal bilateral meetings to date, including one meeting between the DNO and a sub-committee of GEMA. In August 2008, all DNOs submitted high-level forecast business plan questionnaires to Ofgem setting out indicative estimates of their expenditure requirements between 2010 and 2015.

Ofgem published a policy paper on 5 December 2008 describing how its thinking on all of the issues raised in the initial consultation had developed through discussions with the DNOs and other interested stakeholders. Ofgem issued a further consultation document on 8 May 2009 with its initial thoughts on how operating and capital expenditure allowances will be determined. Ofgem intends to publish its initial proposals for allowed revenues between 2010 and 2015 in July 2009, and its final proposals in December 2009. If accepted by DNOs, these will be implemented through agreed licence modifications that take effect from 1 April 2010.

In 2007, Ofgem consulted on licence modifications that were intended to clarify the obligations on DNOs with respect to electricity metering services after the price controls on the provision of new and replacement meters and meter operation services expired on 31 March 2007. The effect of the modifications was to make clear that, from 1 April 2007, the regulatory price cap would be retained only for the rental of electricity meters installed prior to 31 March 2007. Other metering services would no longer form part of the definition of a distribution business and DNOs that wished to provide new or replacement meters or meter operation services must do so through a separate subsidiary. As a result of this change, ENW ceased the provision of meter operation services from 30 June 2007. ENW continues to earn revenue for the rental of its legacy stock of installed metering assets. This revenue is governed by a separate price control from the control of distribution system charging.

Ofgem consulted on the future governance of commercial contractual arrangements that were previously governed by the Distribution Use of System Agreements and replaced the bilateral agreements with a single multilateral contract, the Distribution Connection Use of System Agreement, to improve transparency.

In October 2008, Ofgem proposed to modify licences to change the methodologies by which DNOs calculated and structured their charges to users of the network and to introduce a single common methodology across all DNOs. However, two DNO ownership groups, holding four licences, objected to the part of this proposal relating to extra high voltages. In March 2009, Ofgem published a decision document:

- announcing that it did not intend to raise the matter with the Competition Commission;
- noting that DNOs have been developing a common charging methodology and open governance arrangements for lower voltage levels and stating its intention to propose a licence modification requiring DNOs to complete that work and deliver charges based on its outcome with effect from 1 April 2010; and
- indicating an intention to propose a licence modification requiring each DNO to implement open governance arrangements and to choose and implement one of two methodologies in respect of extra high voltages by 1 April 2011.

On 8 May 2009, Ofgem proposed to modify licences to change the methodologies by which DNOs calculate and structure their charges to users of the network who are connected at voltages below 22,000 and to introduce a single common methodology across all DNOs for such consumers. These proposals were not rejected by DNOs and it is therefore expected that the licence modification will be made.

Environmental regulation of electricity distribution

Under grounding of Overhead Lines

All electricity companies have a general duty under the Electricity Act to have regard to the desirability of environmental preservation and conservation and the protection of “Sites of Special Scientific Interest” when they formulate proposals for development. ENW may be required to carry out an environmental assessment when it intends to lay cables, construct overhead lines or carry out any other development in connection with its licensed activities. In response to discussions with environmental organisations in ENW’s operating area, and with the backing of Ofgem, the company has embarked on a programme of converting from overhead

cables to underground lines in designated areas on aesthetic grounds. For the fourth Distribution Price Control Review (“**DPCR4**”), Ofgem has allowed companies to “log-up” (that is, to add to the RAV) the efficiently-incurred cost of undertaking this work; in ENW’s case, to a maximum of £5 million over the five-year price control period. The first of these schemes was completed in October 2006 and others are in progress. Sufficient work has now been identified to invest the Ofgem allowance fully. Ofgem’s indications are that Ofgem will maintain this scheme at the same value throughout the 2010-2015 review period.

Assisted High Voltage Cables

ENW, in common with all other UK electricity companies, owns and operates pressure-assisted high voltage cables. These operate at voltages of 33,000V and 132,000V. These cables are filled with either nitrogen gas or light oil. ENW operates both types, having 553km (31 March 2008: 568km) of the latter type of cable. In the main, the oil is biodegradable, although some older cables are pressured with a variety of oil that is not. The potential for loss into the environment of the oil, due to leaks or third party damage, is recognised nationally by all electricity companies and the Environment Agency and is an issue concerning waste disposal and pollution law. In order to mitigate the effects of any losses, ENW is party to a national code of practice agreement with the Environment Agency. Over the last six years, the company has worked to minimise losses into the environment and has reduced annual loss to around 24.5m³ (31 March 2008: 34.9m³) in 2008/09 from a high of 73.4m³ in 2001/02.

Electric and Magnetic Fields

The possibility that EMFs may cause adverse health effects has been a topic of debate and research for many years. Over the last 20 years, major research programmes throughout the world have explored whether EMFs have an adverse impact on health. A large epidemiological study - the UK Childhood Cancer Study - reported in December 1999 that there was “no evidence that exposure to magnetic fields associated with the electricity supply in the UK increases risk for childhood leukaemia, cancers of the nervous system, or any childhood cancer”. International bodies such as the World Health Organisation and the International Agency for Research on Cancer and, in the UK, the National Radiological Protection Board (“**NRPB**”) have investigated this issue and have concluded that there is no established causal link between EMFs and ill health. The NRPB was the UK body with statutory responsibility for advising on EMFs until April 2005 when it was subsumed into the Health Protection Agency (“**HPA**”), which has taken on its radiation protection functions.

In March 2001, the NRPB published a review of the state of the science and concluded that, “for the vast majority of children in the UK there is now considerable evidence that the EMF levels to which they are exposed do not increase the risk of leukaemia or other malignant disease”. However, it also noted that the possibility remains that intense and prolonged exposure to magnetic fields can increase the risk of leukaemia in children, but the epidemiological evidence is currently not strong enough to justify a firm conclusion that such fields cause leukaemia in children. The NRPB published in May 2003 a consultation document on how to limit exposure to EMFs and, in particular, on whether the UK should adopt the more stringent exposure guidelines of the International Commission on Non-Ionizing Radiation Protection (“**ICNIRP**”). In March 2004, the NRPB recommended that the ICNIRP guidelines should be adopted. Most recently, a report published by the Childhood Cancer Research Group strengthened the evidence that childhood leukaemia rates are slightly higher near power lines, but leaves the question of what causes this more confused than before, stating that: “There is no accepted biological mechanism to explain the epidemiological results; indeed, the relationship may be due to chance.”

The independent Advisory Group on Non-Ionising Radiation (“**AGNIR**”), which reports to the board of the HPA, has issued several reports relating to EMFs, considering their possible link to an increased risk of cancer, including childhood leukaemia.

In 2001, AGNIR published a report on extremely low frequency (i.e. including 50Hz, the frequency of electricity supplies in the United Kingdom) EMFs and the risk of cancer. The report noted that there is some epidemiological evidence that prolonged exposure to higher levels of extremely low frequency magnetic fields is associated with a raised risk of leukaemia in children and that this possibility remains unless further research proves that this finding is due to chance or some currently unrecognised factor. However, it was concluded that laboratory experiments had provided no good evidence that EMFs are capable of producing cancer, nor do human epidemiological studies suggest that they cause cancer in general.

The most recent AGNIR report on EMFs published in February 2006 concluded that the evidence does not support the hypothesis that exposure to EMFs is associated with an increased risk of breast cancer and that, although it is inconclusive, it does not appear that EMFs affect the hormone melatonin (a reduction in which can lead to breast cancer). The report gave recommendations for further research to be carried out.

While the AGNIR continues to keep under review all published research related to health concerns arising from exposure to power frequency electromagnetic fields, its current view is that, at present, there is insufficient new information to justify an update to the 2001 report.

In spite of the official view of bodies such as the HPA and the World Health Organisation, there continues to be significant lobbying by pressure groups concerned about the alleged effects of public electricity infrastructure on health. In 2005, a cross-industry, all-stakeholder group on the issue was set up in the UK. It is known as the Stakeholder Group on Extra Low Frequency EMFs (“**SAGE**”). Although SAGE was initiated by National Grid plc, it has now been taken up by the Department of Health and essentially reports to the Department of Health and the Government on EMF issues in relation to health. The industry is represented on SAGE by the National Grid and by the Energy Networks Association, of which ENW is a member.

The SAGE report was passed to the Department of Health for review in April 2007. The balance of advice in the SAGE report supports the status quo although, given the breadth of views necessarily aired in the process, other options which could drive significant costs for the industry (such as the maintenance of building-free corridors around power lines) have had their merits reviewed. However, it will be for the Government to decide on the appropriate response to stakeholder concerns and ENW does not currently expect any real shift from the status quo to emerge. To date, it is known that the Government has consulted the HPA on the SAGE recommendations, and it is believed that Government departments are looking at the practicalities of implementing the SAGE recommendations. Despite continued lobbying by various interested groups, there is no indication that the Government will implement anything beyond the SAGE recommendations, at most.

Sulphur hexafluoride (SF₆) management

SF₆ is a gas with excellent electrical insulation and other properties, which has led to its widespread use in electrical switchgear. However, there is concern regarding any SF₆ that escapes into the atmosphere as SF₆ is a potent greenhouse gas, with a greenhouse warming potential of 22,200 times that of carbon dioxide. The Kyoto Protocol to the Climate Change Convention has recognised the need to curb emissions of all greenhouse gases, including SF₆.

ENW’s strategy is to record levels of leakage accurately, to replace equipment at high leakage rate sites, and to review and develop future targets. ENW is working with the electricity industry and manufacturers to continue developing vacuum and solid insulation for switchgear, and so work towards eliminating the use of SF₆ switchgear.

The annual leakage of SF₆, as recorded at 1 April 2009 and reported to the Environment Agency, equates to 585kg (31 March 2008: 431kg), or 2.35 per cent. (31 March 2008: 3.06 per cent.) of the total mass of SF₆ controlled by ENW of 19,089kg (31 March 2008: 18,350kg). The current project to replace the major substation at Whitegate, which is an early prototype SF₆ switchboard, is expected to halve ENW’s SF₆

emissions. ENW is not currently aware of any requirement or proposal that will result in it being required to reduce leakage or otherwise increase costs, although it is monitoring the situation closely through the Energy Networks Association.

Environmental Legislation Enforcement

There are currently no third party or regulatory proceedings or actions pending against ENW with respect to non-compliance in relation to environmental laws, regulations and permits. Certain other environmental matters relating to ENW are described below.

- Potential for oil leakage from fluid filled cables - as part of the operations agreement with the Environment Agency on oil-filled cables, ENW is proactively reducing the amount of oil leaking from its cable systems by using a low - pressure detection system. ENW has reduced the recorded losses from 73.4m³ in 2001/02 to 24.5m³ by the end of 2008/09. To further improve on this performance, a number of projects to replace oil-filled cables are proposed over the next five-year period.
- Polychlorinated biphenyls (“PCBs”) management - ENW has documented policies for PCB-contaminated equipment to comply with the Environment Agency’s regulations. Current PCB assets (25 distribution transformers out of a population of about 33,000) adhere to the regulations.
- Waste management - currently there is no issue that could materially alter the expenditure on the management and disposal of waste associated with ENW operations. Although there are increases in landfill tax, ENW is not aware of any significant increases in its waste management costs, and is not proposing to apply for any additional funding within its submission to Ofgem for the next price review.
- Asbestos containing materials (“ACMs”) in assets - there is no outstanding action against ENW in relation to ACMs, beyond completion of the currently ongoing surveys with respect to compliance with the Control of Asbestos at Work Regulations 2002. The ongoing programme of surveys is due to be completed during the next price review period.
- Land contamination - ENW has some level of contaminated land risk, but this is considered to be very low risk to the business based on both an internal and external assessment of its grid and primary substation sites and 4 depots. There are a number of key control measures that give rise to the low risk view. These include ensuring all medium to high risk transformers are banded, records of surveys and assessment of remediation costs and close liaison with the Environment Agency. None of ENW’s 497 grid and primary substation sites has been the subject of any complaint from adjoining landowners, nor the subject of any remediation notice from any applicable local authority in respect of environmental matters in over 50 years of operation.
- Flooding - following risk assessment of all grid and primary sites, ENW has installed flood defences in the form of bunds at 24 substations. ENW is part of the national working group on flooding (which includes Ofgem and the Government) and has submitted plans to install similar flood defences at a further 50 substations during the next price review period, subject to Ofgem funding.
- Electro-magnetic fields - further to the SAGE report described above, ENW plans to apply the optimal phasing recommendations as appropriate (i.e. the minor physical rearrangement of overhead 132kV overhead conductors such that the magnetic field strength falls more quickly to a given level at a reduced distance) should it become a new Government requirement, with a view to the work being started in DPCR5 and completed in the seventh such Distribution Price Control Review (“DPCR7”) (i.e. by 2025). The majority of the ENW 132kV overhead network is already configured such as to comply with the optimal phasing recommendations. The cost of this work is marginal and will only be undertaken in conjunction with other work on the affected lines.

Energy Administration Orders

The Energy Act 2004 contains provisions enabling the Secretary of State or GEMA (with the permission of the Secretary of State) in certain circumstances (e.g. where a licensee is unable to, or is likely to be unable to, pay its debts) to apply to the court to secure that the licensee's system of electricity distribution is and continues to be maintained and developed as an efficient and economical system. In such circumstances, the court may make an EAO and appoint an Energy Administrator to that licensee. The court may also make an EAO where it is satisfied that, on petition by the Secretary of State under Section 124A of the Insolvency Act 1986 (petition for winding-up on grounds of public interest), the Secretary of State has certified to the court that it would be just and equitable (disregarding the objective of the energy administration) to wind up the licensee in the public interest.

In addition, a petition by a creditor of the licensee to the court for the winding-up of the licensee can result in the court making an EAO and appointing an Energy Administrator. Where a petition for the winding-up of a licensee is presented by a creditor, the court is not to exercise its powers on a winding-up petition unless: (a) notice of the petition has been served both on the Secretary of State and on GEMA; and (b) a period of at least 14 days has elapsed since the service of the last of those notices to be served.

An Energy Administrator has extensive powers similar to those of an administrator under the Insolvency Act 1986, but with certain important differences. The Energy Administrator is appointed only for the purposes of: (a) transferring to one or more different licensee(s) as much of the business of the licensee (to which an Energy Administrator has been appointed) as is necessary for the proper carrying out of its electricity distribution business; and (b) pending the transfer, of carrying out those functions itself. It is for the Energy Administrator to agree the terms of the transfer on behalf of the existing licensee, subject to the provisions of the Energy Act. The Energy Act provides that the existing licensee may, with the consent of the new licensee and for the purpose of giving effect to the proposed transfer, impose a scheme for the transfer of property, rights and liabilities (the "**Energy Transfer Scheme**"), which scheme must be approved by the Secretary of State or GEMA. The Secretary of State and GEMA may modify an Energy Transfer Scheme before approving it or at any time afterwards with the consent of the Energy Administrator and each new licensee. The powers of an Energy Administrator include, as part of an Energy Transfer Scheme, the ability to make modifications to the licence of the existing licensee.

The Energy Administrator must exercise and perform his powers and duties in a manner which protects the interests of the creditors of the company as a whole; and subject to those interests, the interests of the members of the company as a whole. However, the effect of other provisions of the Energy Act is ultimately to subordinate members' and creditors' rights to the achievement of the purposes of the EAO. The Energy Act also grants the Secretary of State, with the approval of HM Treasury, the power: (a) to make appropriate grants or loans to achieve the purposes of the EAO and to indemnify the Energy Administrator against losses or damages sustained in connection with the carrying out of his functions; and (b) to guarantee the payment of principal or interest and the discharge of any other financial obligations in connection with any borrowings of the licensee subject to an EAO.

Restrictions on other insolvency procedures

A licensee has no power to pass a resolution for voluntary winding-up without applying for, and obtaining, the permission of the court. The court is not entitled to grant permission unless: (a) notice of the application has been served both on the Secretary of State and on GEMA; and (b) a period of at least 14 days has elapsed since the service of the last of those notices to be served. If an application for an EAO is made to the court after a licensee has applied for permission for voluntary winding-up and permission has yet to be granted, the court may, instead of granting permission, exercise its powers under Section 157 of the Energy Act (for example, by making an EAO, dismissing the application or making any order it would make under the Insolvency Act).

Where an ordinary administration application under the Insolvency Act is made in relation to a licensee by a person other than the Secretary of State, the court must dismiss the application if: (a) an EAO is in force in relation to the licensee; or (b) an EAO has been made in relation to the licensee but is not yet in force. Where either of (a) or (b) does not apply, the court, on hearing the application for an ordinary administration, is not entitled to exercise its powers under paragraph 13 of Schedule B1 to the Insolvency Act (other than its power of adjournment) unless: (a) notice of the application has been served both on the Secretary of State and on GEMA; (b) a period of at least 14 days has elapsed since the service of the last of those notices to be served; and (c) there is no application for an EAO that is outstanding. Upon the making of an EAO in relation to a licensee, the court must dismiss any ordinary administration application made in relation to that company which is outstanding.

No step may be taken by the holder of a floating charge or by the company itself to appoint an administrator to a licensee under paragraph 14 or 22 of Schedule B1 to the Insolvency Act) if: (a) an EAO is in force in relation to the licensee; (b) an EAO has been made in relation to the licensee but is not yet in force; or (c) an application for such an EAO is outstanding. Where these requirements have not been met, the appointment takes effect only if: (a) a copy of every document in relation to the appointment that is filed or lodged with the court in accordance with paragraph 18 or 29 of Schedule B1 to the Insolvency Act (documents to be filed or lodged for appointment of administrator) has been served both on the Secretary of State and on GEMA; (b) a period of 14 days has elapsed since the service of the last of those copies to be served; (c) there is no outstanding application to the court for an EAO in relation to the licensee in question; and (d) the making of an application for such an order has not resulted in the making of an EAO which is in force or is still to come into force.

Furthermore, no step to enforce a security over property of a licensee is to be taken by any person, unless: (a) notice of the intention to do so has been served both on the Secretary of State and on GEMA; and (b) a period of at least 14 days has elapsed since the service of the last of those notices to be served. However, neither the Secretary of State nor GEMA is entitled to prevent the enforcement of a security per se. The purpose of Section 164(1)(a) of the Energy Act 2004 is to ensure that the Secretary of State and GEMA are alerted to the financial position of the relevant company in order to give them the opportunity to apply for the company to be entered into special administration, if deemed appropriate, prior to enforcement (so as to not frustrate any action that they might wish to take).

Competition and merger regulation of electricity distribution

Competition

The Competition Act 1998 came into force in March 2000 and introduced two prohibitions concerning anti-competitive agreements and conduct and powers of investigation and enforcement.

The Chapter I prohibition prohibits agreements, decisions by associations of undertakings or concerted practices between undertakings which may affect trade within the UK and which have as their object or effect the prevention, restriction or distortion of competition within the UK. The Chapter II prohibition prohibits the abuse of a dominant market position which may affect trade within the UK.

Ofgem has concurrent powers with the OFT to apply and enforce the Competition Act 1998 to deal with anti-competitive agreements or abuses of dominance relating to commercial activities connected with the generation, transmission or supply of electricity or the use of electricity interconnectors, including the power to enforce directions to bring an infringement to an end and to impose fines of up to 10 per cent. of ENW's worldwide group-wide turnover for the infringement up to a maximum of three years. Also, any arrangement which infringes the Competition Act 1998 may be void and unenforceable and may give rise to claims for damages from third parties.

Part 4 of the Enterprise Act contains the power for the OFT, Ofgem or (in certain limited circumstances) the Secretary of State to refer a market to the Competition Commission for investigation where it has reasonable grounds for suspecting that any feature(s) of that market prevent, restrict or distort competition. The OFT or Ofgem may accept undertakings in lieu of a reference to the Competition Commission. If the Competition Commission determines that there is an adverse effect on competition, it has wide powers to impose remedies (which may include structural remedies).

Consumers' Interests

Under Section 11 of the Enterprise Act, a designated consumer body can make a super-complaint to the OFT or Ofgem when it thinks that any feature or features of a market are, or appear to be, significantly harming the interests of consumers. In the electricity sector, the relevant consumer body is the National Consumer Council (the "**Council**"). If the OFT or Ofgem decide to act on a super-complaint, potential responses include (but are not limited to) competition or consumer law enforcement, the launch of a market study by the OFT or a reference to the Competition Commission under Part 4 of the Enterprise Act.

In addition to its powers under the Enterprise Act, Section 13 of the Consumers, Estate Agents and Redress Act 2007 provides for the Council to investigate: (a) individual complaints by an electricity consumer against an electricity distributor in respect of the disconnection of, or a threat to disconnect, the consumer's premises; and (b) individual complaints by an electricity consumer against an electricity distributor, following such a disconnection, in respect of a refusal to reconnect the premises. Where it appears to the Council that a consumer complaint relates to a matter in respect of which any of Ofgem's enforcement functions under Section 25 or 27A of the Electricity Act 1989 (breach of a Licence Condition) may be exercisable, the Council must refer the complaint to Ofgem. The Council is not required to investigate the complaint until Ofgem has had a reasonable opportunity to exercise its enforcement functions in relation to the complaint.

The Consumers, Estate Agents and Redress Act 2007 also requires all energy companies which have domestic or small business customers to join an approved dispute resolution scheme. In April 2008, ENW joined the Energy Ombudsmen, an independent body that resolves disputes associated with billing and transfer, service and sales and distribution issues. The Energy Ombudsman has the power to require the company to provide a financial award of up to £5,000, a service or some practical action that will benefit the customer, and/or an apology or explanation.

Merger Regime

Mergers and acquisitions in the electricity sector are reviewable, as they are in general, by the OFT under the Enterprise Act or, where certain turnover thresholds are met, by the European Commission under Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the "**EC Merger Regulation**"). Where the OFT finds that a transaction has resulted, or may be expected to result in a substantial lessening of competition, it has a duty to refer the transaction to the Competition Commission for detailed investigation. The OFT may accept undertakings in lieu of a reference to the Competition Commission. If the Competition Commission finds that the transaction has resulted in or may be expected to result in a substantial lessening of competition, it has the power to impose remedies or prohibit the transaction. Similarly, the European Commission may prohibit a merger which falls for review under the EC Merger Regulation if the parties do not offer adequate remedies to address a finding that the proposed transaction would significantly impede effective competition in the common market or a substantial part of it. Ofgem is not a merger control authority, but makes representations in relation to the transaction to the merger review authorities, at UK and/or European Commission level, and may also seek modifications to the regulated entity's licence.

CHAPTER 13

OVERVIEW OF THE FINANCING AGREEMENTS

Security Trust and Intercreditor Deed

General

The intercreditor arrangements in respect of the NWEN Financing Group (the “**Intercreditor Arrangements**“) are contained in the STID and the CTA. The Intercreditor Arrangements bind each of the Secured Creditors and each of the Obligors.

The Secured Creditors will include the Senior Debt Providers that enter into or accede to the STID. Any new Authorised Credit Facility Provider (or in respect of Noteholders, any additional Note Trustee) will be required to accede to the STID and the CTA.

Unsecured creditors (except for Subordinated Creditors) will not become parties to the Intercreditor Arrangements and, although ranking behind the Secured Creditors in an administration or other enforcement, will have unfettered, independent rights of action in respect of their debts. However, the aggregate amount of unsecured Financial Indebtedness will be restricted under the CTA. See the section below entitled “*Subordinated Creditors*” with respect to the position of Subordinated Creditors under the STID.

The purpose of the Intercreditor Arrangements is to regulate, among other things (i) the claims of the Secured Creditors; (ii) the exercise, acceleration and enforcement of rights by the Secured Creditors; (iii) the rights of the Secured Creditors to instruct the Security Trustee; (iv) the rights of the Secured Creditors during a Standstill Period (see the section “*Standstill*” below); (v) the Entrenched Rights and the Reserved Matters of the Secured Creditors; and (vi) the giving of consents and waivers and the making of modifications to the Finance Documents.

The Intercreditor Arrangements also provide for the ranking in point of payment of the claims of the Secured Creditors, both before and after any enforcement of the security created pursuant to the Security Documents (the “**Security**“), and for the subordination of all claims of Subordinated Creditors or claims among the NWEN Financing Group (other than claims in respect of (i) the Issuer/NWEN Loan Agreements funded through the issuance of Notes (ii) the ENW Issuer/NWEN Loan Agreement and (iii) the NWEN/ENW Loan Agreement). Each Secured Creditor (other than the Security Trustee acting in such capacity) and each Obligor will give certain undertakings in the STID which serve to maintain the integrity of these arrangements.

Modifications, Consents and Waivers

Subject to the Entrenched Rights and Reserved Matters (see the section “*Entrenched Rights and Reserved Matters*” below) (which will always require the consent of all of the relevant Secured Creditors who are affected), the Security Trustee may make modifications to the Finance Documents, or give any consent or grant any waiver under or in respect of any term thereof, without the consent of any other Secured Creditor, if in the opinion of the Security Trustee, such modification, consent or waiver (i) is to correct manifest or proven errors, to comply with mandatory provisions of law or are of a formal, minor or technical nature (and the Security Trustee may rely upon a certificate or opinion of an expert in relation to this) or (ii) would not be materially prejudicial to the interests of the Secured Creditors. The Security Trustee shall also concur with any modification to the Note Trust Deed (including the Conditions), the Agency Agreement and the CP Agreement and any amendment or supplement to the Master Definitions Agreement required for the purpose of enabling Notes to be issued under the Programme within the United States in reliance on Rule 144A of the Securities Act, without the need to obtain the consent or sanction of any other Secured Creditor other than those party to the Note Trust Deed and the Agency Agreement provided that two Authorised Signatories of NWEN certify in writing that such modification, amendment and/or supplement is required for such purpose.

Other than as set out above and subject to Entrenched Rights and Reserved Matters (which will always require the consent of all of the relevant Secured Creditors who are affected), the Security Trustee shall only concur in making any modification of or grant any consent or waiver under the Finance Documents or (subject to restrictions during a Standstill Period) take Enforcement Action with the consent of or if so instructed by the Majority Creditors provided that the relevant Quorum Requirement has been met.

The STID contains detailed provisions setting out the voting and instruction mechanics in respect of STID Matters, including provisions specifying the relevant decision periods within which votes must be cast (each a “**Decision Period**”) (which period must not be fewer than 15 Business Days (or not fewer than five Business Days in respect of a Senior DIG Directions Request) from notification to the Qualifying Senior Debt Providers (or their Senior DIG Representatives, as the case may be) of a STID Matter). Pursuant to the terms of the STID, the “**Quorum Requirement**” for any STID Matter (other than an Emergency Instruction Notice, as to which, see “*Emergency Instruction Procedure*” below) is one or more Qualifying Senior Debt Providers voting and representing in aggregate at least 20 per cent. of the entire Outstanding Principal Amount of all Qualifying Senior Debt, provided that, if the Quorum Requirement is not met within the initial Decision Period ending on the date as specified in the relevant STID Proposal (the “**Initial Decision Period**”) (as specified in the STID), the Decision Period will be extended by a period of seven Business Days from the expiry of the Initial Decision Period (the “**Extended Decision Period**”) during which period the Quorum Requirement shall reduce to zero so that if one or more Qualifying Senior Debt Providers votes (or has, in the Initial Decision Period or in the Extended Decision Period, as the case may be, voted), the Quorum Requirement shall be satisfied, notwithstanding that such Qualifying Senior Debt Provider does not represent at least 20 per cent. of the entire Outstanding Principal Amount of all Qualifying Senior Debt. Save in connection with certain matters (including enforcement, Standstill, or any other matter the subject of a Senior DIG Proposal) if the Quorum Requirement has been reduced to zero but no votes have been received by the Security Trustee by the end of the Extended Decision Period, the proposal in respect of the relevant STID Matter shall, save as referred to above, be deemed to be approved by the requisite majority of the Qualifying Senior Debt Providers (a “**Deemed Approval**”) and, other than with respect to the matters where Deemed Approval does not apply, the relevant Quorum Requirement shall be regarded as having been met (where such or similar phrases are used) in the case of a Deemed Approval.

Majority Creditors

Decisions of the Majority Creditors will be determined by votes on a “pound for pound” basis (in the case of Qualifying Senior Debt denominated in a currency other than sterling, as calculated on the basis of the Exchange Rate) based on the Outstanding Principal Amount of the Qualifying Senior Debt voted by the Senior DIG Representatives. Subject to Entrenched Rights and Reserved Matters and provided that the relevant Quorum Requirement has been met, the Security Trustee will be entitled to act (a) on the instructions of the Majority Creditors which have voted by the end of the specified Decision Period or, if earlier, as soon as Senior DIG Representatives in respect of more than 50 per cent. of the Qualifying Senior Debt have voted in favour of the relevant proposal or (b) in accordance with a Deemed Approval.

Senior Debt Instructing Group

Both prior to and during any Standstill Period, after acceleration of the Secured Liabilities and upon any enforcement of the Security prior to repayment in full of the Qualifying Senior Debt, only the Senior DIG Representatives voting in respect of the Outstanding Principal Amount of Qualifying Senior Debt that they represent will be eligible to exercise the rights of the Majority Creditors. Provided that the relevant Quorum Requirement has been met, decisions of the Majority Creditors will bind all of the Secured Creditors in all circumstances, save with respect to certain Entrenched Rights and Reserved Matters (see the section “*Entrenched Rights and Reserved Matters*” below).

On and following the Signing Date, the Senior DIG Representatives, which will together be entitled to vote on certain proposals as part of the “**Senior Debt Instructing Group**” or the “**Senior DIG**”, will comprise the following representatives (each, a “**Senior DIG Representative**”):

- (a) in respect of each Sub-Class of Wrapped Notes or other Wrapped Debt (if no FG Event of Default has occurred and is continuing in respect of the relevant Financial Guarantor), such Financial Guarantor;
- (b) in respect of each Sub-Class of Wrapped Notes or other Wrapped Debt (after an FG Event of Default has occurred and is continuing in respect of the relevant Financial Guarantor of those Wrapped Notes) and each Sub-Class of Unwrapped Notes, the Note Trustee, (provided that, unless a Default Situation has occurred and is continuing (other than in respect of an Emergency Instruction Notice), or a STID Proposal is the subject of an Entrenched Right or a Reserved Matter, the Wrapped Noteholders (in respect of each such Sub-Class or Class of Wrapped Notes) or, as the case may be, the Unwrapped Noteholders (in respect of each Sub-Class or Class of Unwrapped Notes), shall each be entitled to direct the Note Trustee by participating directly in the Senior DIG through the clearing system voting mechanics as described in the section “*Noteholder Voting*”);
- (c) in respect of the Capex Facility, the Capex Facility Agent;
- (d) following the acceleration of any Secured Liability in respect of any Obligor following the occurrence of an Event of Default and following the termination of a Standstill Period (other than as a result of the remedy or waiver of the relevant Event of Default giving rise to the Standstill Period), in respect of each NWEN Programme Hedging Agreement, the relevant NWEN Programme Hedge Counterparty; and
- (e) in respect of any other Secured Liability of the type referred to in paragraphs (a) to (e) above (excluding liabilities in respect of any DSR Liquidity Facilities) or (with the approval of the Majority Creditors) other types of Secured Liabilities that rank *pari passu* with all other Senior Debt, the relevant representative appointed under the terms of the relevant Finance Document and named in the STID and the CTA or the relevant Accession Memorandum to the STID and the CTA as the Senior DIG Representative.

Other Secured Creditors of Senior Debt that accede to the STID and the CTA after the Signing Date may appoint their own representative to act as their Senior DIG Representative.

The Security Trustee is not obliged to comply with any direction or request given pursuant to a STID Matter unless it has been indemnified and/or secured and/or prefunded to its satisfaction.

Noteholder Voting

Unless a Default Situation has occurred and is continuing (other than in respect of an Emergency Instruction Notice) (see the section “*Emergency Instruction Procedure*” below) or a STID Matter is the subject of an Entrenched Right or a Reserved Matter of a Series, Class or Sub-Class of Noteholders, the Note Trustee shall not be entitled to convene a meeting of any Series, Class or Sub-Class of Notes to consider any STID Matter to be voted on by the Senior DIG. However, in such circumstances each Unwrapped Noteholder and, if an FG Event of Default has occurred and is continuing in respect of the relevant Financial Guarantor, each Wrapped Noteholder in respect of the relevant Wrapped Notes (each, a “**Qualifying Noteholder**”) shall each be entitled to vote on the proposed STID Matter (an “**STID Direct Voting Matter**”) within the specified Decision Period directly through the clearing systems.

The Note Trustee will, upon receipt of notice of a STID Direct Voting Matter pursuant to the terms of the STID, distribute a copy of the STID Direct Voting Matter to the Noteholders specified above through the clearing systems. The Principal Paying Agent (in respect of Bearer Notes) or the Registrar (in respect of

Registered Notes) will collect the votes cast by such Noteholders and will complete block voting instructions (which will be the only method of voting in respect of such matters) and will notify the Security Trustee, the Note Trustee and the Issuer accordingly. Only the Outstanding Principal Amount of Notes then held by Noteholders that vote on (either for or against) a proposed STID Direct Voting Matter within the relevant Decision Period will be counted towards the overall voting requirement of the Senior DIG for the purposes of the definition of Majority Creditors (and such votes will be divided on a “pound for pound” basis (in the case of Qualifying Senior Debt denominated in a currency other than sterling, as calculated on the basis of the Exchange Rate) between votes cast in favour and votes cast against irrespective of whether a majority of a particular Sub-Class of Notes have voted in favour or against). Votes cast in favour and votes cast against will then be aggregated by the Security Trustee with the votes cast by the other Senior DIG Representatives in order to determine whether the Majority Creditor requirement has been reached to pass the relevant STID Matter. For these purposes, the Notes of each Class, Sub-Class and Tranche will be aggregated and no distinction will be made between the respective Classes, Sub-Classes or Tranches.

In respect of any STID Matter arising while a Default Situation is subsisting or that is the subject of an Entrenched Right or Reserved Matter of a Series, Class or Sub-Class of Noteholders, the Note Trustee, as Senior DIG Representative in respect of the Wrapped Notes (following the occurrence of an FG Event of Default which is continuing in respect of the Financial Guarantor of the relevant Wrapped Notes) and the Unwrapped Notes, will be entitled to convene a meeting of any Series, Class or Sub-Class of Notes to consider any such STID Matter, subject to the Note Trustee being indemnified and/or secured and/or prefunded to its satisfaction. In such circumstances, the relevant Initial Decision Period shall end on such later date (not later than two months after notification of the STID Matter) as may be notified to the Security Trustee by the Note Trustee should the Note Trustee have given notice to convene a meeting of any one or more Series, Class or Sub-Class of Noteholders to seek directions.

Subject to Entrenched Rights and Reserved Matters, whilst a Default Situation is continuing, the Note Trustee shall not be entitled to convene a meeting of the Noteholders after the presentation of a valid Emergency Instruction Notice pursuant to the terms of the STID. See the section “*Emergency Instruction Procedure*” below. However, the Unwrapped Noteholders and, following an FG Event of Default in relation to the relevant Financial Guarantor, the relevant Wrapped Noteholders will be entitled to participate directly in the Senior DIG in respect of any vote on an Emergency Instruction Notice.

Emergency Instruction Procedure

While a Default Situation is subsisting, certain decisions and instructions may be required in a timeframe which does not allow the Note Trustee to convene Noteholder meetings. To cater for such circumstances, the Intercreditor Arrangements provide for an Emergency Instruction Procedure, which is subject to Entrenched Rights and Reserved Matters. The Security Trustee will be required to act upon instructions contained in an Emergency Instruction Notice, provided the Security Trustee has been indemnified and/or secured and/or prefunded to its satisfaction. An Emergency Instruction Notice must be signed by Senior DIG Representatives (the “**EIN Signatories**”) representing 66⅔ per cent. or more of the aggregate Outstanding Principal Amount of the Qualifying Senior Debt (after excluding from the proportion of Qualifying Senior Debt the Outstanding Principal Amount of (a) the Wrapped Notes (following the occurrence of an FG Event of Default which is continuing in relation to the relevant Financial Guarantor), and (b) the Unwrapped Notes, in each case, in respect of which the relevant Noteholder has not voted through the clearing systems). The Emergency Instruction Notice must specify the emergency action which the Security Trustee is being instructed to take and must certify that in the EIN Signatories’ reasonable opinion, unless such action is taken within the timeframe specified in the Emergency Instruction Notice, the interests of the EIN Signatories would be materially prejudiced.

As described above, the Unwrapped Noteholders and, following an FG Event of Default in relation to the relevant Financial Guarantor, the relevant Wrapped Noteholders shall each be entitled to instruct the Note Trustee through the clearing systems in accordance with the terms of the Note Trust Deed to vote on its behalf as the Senior DIG Representative of such Noteholder in relation to such Emergency Instruction Notice. See “*Noteholder Voting*” above.

NWEN Hedge Counterparties and Issuer Hedge Counterparties

Each NWEN Hedge Counterparty and each Issuer Hedge Counterparty is or will be a Secured Creditor party to the STID and the CTA and each NWEN Hedging Agreement and each Issuer Hedging Agreement to hedge the currency of any Debt or to hedge interest rates constitutes or will constitute Senior Debt.

Neither the NWEN Hedge Counterparties nor the Issuer Hedge Counterparties will form part of the Senior DIG save following the acceleration of the Secured Liabilities of any Obligor as a consequence of an Event of Default and following the termination of a Standstill Period (other than as a result of the remedy or waiver of the relevant Event of Default giving rise to the Standstill Period). Neither the NWEN Hedge Counterparties nor the Issuer Hedge Counterparties will form part of the Senior DIG prior to the acceleration of the Secured Liabilities with respect to any Obligor or during a Standstill or for the purposes of voting to terminate a Standstill. However, all fees, interest and principal payable by the Issuer and/or NWEN (as the case may be) to the Issuer Hedge Counterparties and/or the NWEN Hedge Counterparties will rank in the Payment Priorities senior to or *pari passu* with interest or principal payments on the Notes.

See the sections entitled “*Cash Management*” and “*Additional Resources Available - Hedging*” below.

DSR Liquidity Facility Providers

Each DSR Liquidity Facility Provider is or will be a Secured Creditor party to the STID and the CTA and each DSR Liquidity Facility Agreement constitutes or will constitute Senior Debt.

The DSR Liquidity Facility Providers will not form part of the Senior DIG. However, fees, interest and principal payable to the DSR Liquidity Facility Providers will rank in the Payment Priorities senior to interest and principal payments on the Notes. See the sections “*Cash Management*” and “*Additional Resources Available - DSR Liquidity Facilities*” below.

Authorised Credit Facility Providers

Any Authorised Credit Facility Providers, including the Capex Facility Providers, will constitute Senior Debt Providers and (other than in the case of any DSR Liquidity Facility Provider) will form part of the Senior DIG.

Standstill

For so long as any Senior Debt is outstanding, the STID will provide for an automatic standstill of the claims of the Secured Creditors against NWEN, the Issuer and SPV HoldCo (the “**Standstill**”) immediately following notification to the Security Trustee of an Event of Default (other than an Event of Default under (i) any NWEN Hedging Agreement with respect to an NWEN Hedge Counterparty under such NWEN Hedging Agreement or (ii) any Issuer Hedging Agreement with respect to an Issuer Hedge Counterparty under such Issuer Hedging Agreement).

During the Standstill Period:

- (a) none of the Secured Creditors will be entitled to give any instruction to the Security Trustee to take any Enforcement Action (but without prejudice to the ability of the Secured Creditors to demand payment) in relation to the Security granted by the Obligors;

- (b) save as provided in paragraph (a) above, no Enforcement Action may be taken by any Secured Creditor; and
- (c) any moneys received by any of the Obligors will be applied in accordance with the cash management provisions contained in the CTA (see the section “*Cash Management*” below) and in accordance with the Payment Priorities (see the section “*Cash Management - Debt Service Payment Account*” below).

The period of the Standstill in respect of any Event of Default relating to any of the Obligors (the “**Standstill Period**”) will be 12 months unless (i) the Standstill Period is extended beyond 12 months (see the section “*Standstill Extension*” below) or (ii) any of the following occurs prior to the expiry of the relevant Standstill Period (whether or not extended), in which case the Standstill Period shall terminate on the occurrence of any of the events listed in paragraphs (a), (b) or (c):

- (a) an Energy Administration Order is made in respect of ENW or any steps are taken to commence insolvency proceedings against ENW or any Obligor other than proceedings that are commenced by the Security Trustee;
- (b) (during the first 12 months of the Standstill Period) Senior DIG Representatives in respect of 66⅔ per cent. or more of the aggregate Outstanding Principal Amount of the Qualifying Senior Debt vote to terminate the Standstill Period or, following any extension to the Standstill Period beyond 12 months, Senior DIG Representatives in respect of the relevant percentage of the Outstanding Principal Amount of the Qualifying Senior Debt vote to terminate the Standstill Period (see the section “*Standstill Extension*” below); or
- (c) the waiver or remedy of the relevant Event of Default giving rise to the Standstill Period.

The occurrence of a Standstill will not of itself prevent NWEN drawing under any DSR Liquidity Facilities.

Upon termination of a Standstill Period (except by virtue of the matters referred to in paragraph (c) above), each Secured Creditor will be entitled to exercise all rights which may be available to it under any Finance Document to which it is a party (other than any Security Document) including directing the Security Trustee (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) to take Enforcement Action against any of the Obligors and the Security Trustee will be entitled to enforce any Security Document in accordance with the STID.

Standstill Extension

In the event that a Standstill has not been terminated prior to the date 12 months after the commencement of the Standstill Period, the Standstill Period shall automatically be extended beyond 12 months:

- (a) for a further 60 days unless Senior DIG Representatives in respect of 50 per cent. or more of the aggregate Outstanding Principal Amount of Qualifying Senior Debt vote (at any time prior to the commencement of or during such further 60-day period) to terminate the Standstill Period;
- (b) following the period referred to in paragraph (a) above, for a further 60 days unless Senior DIG Representatives in respect of 33⅓ per cent. or more of the aggregate Outstanding Principal Amount of Qualifying Senior Debt vote (at any time prior to the commencement of or during such further 60-day period) to terminate the Standstill Period; and
- (c) following the period referred to in paragraph (b) above, for successive periods each of 60 days unless Senior DIG Representatives in respect of 10 per cent. or more of the aggregate Outstanding Principal Amount of Qualifying Senior Debt vote (at any time prior to the commencement of or during each such further 60-day period) to terminate the Standstill Period and a vote shall be taken of the relevant Senior DIG Representatives on the basis of such Outstanding Principal Amount on the expiry of each

such successive period of 60 days referred to in this paragraph (c) for so long as the Standstill Period continues as to whether the Standstill Period should continue for a further period of 60 days.

If the Senior DIG Representatives vote to terminate the Standstill Period in accordance with paragraphs (a) to (c) above, the Standstill Period will automatically terminate on the day following the day of such vote.

The Note Trustee shall not form part of the Senior DIG Representatives in respect of any vote to terminate the Standstill Period, unless directed or requested to vote in such manner (i) by an Extraordinary Resolution of (x) the relevant Sub-Class of Wrapped Noteholders (following the occurrence of an FG Event of Default which is continuing in respect of the relevant Financial Guarantor of such Sub-Class of Wrapped Notes) or (y) the relevant Sub-Class of Unwrapped Noteholders or (ii) in writing by Noteholders holding not less than 25 per cent. of the Outstanding Principal Amount of (x) the relevant Sub-Class of Wrapped Notes (following the occurrence of an FG Event of Default which is continuing in respect of the relevant Financial Guarantor of such Sub-Class of Wrapped Notes) or (y) Unwrapped Notes..

The Standstill Period in respect of any Event of Default will terminate upon the date of the waiver or remedy of the relevant Event of Default giving rise to the Standstill Period.

Enforcement

Following the termination of a Standstill Period (except where the Standstill Period ends as a result of the waiver or remedy of the underlying Event of Default), the Majority Creditors (provided that the relevant Quorum Requirement has been met) may direct the Security Trustee to enforce the Security created by the Obligors, subject to the Security Trustee being indemnified and/or secured and/or prefunded to its satisfaction.

Subject to certain matters and to certain exceptions, following an enforcement, any proceeds of enforcement or other moneys held by the Security Trustee under the STID (excluding moneys credited to the Excluded Accounts) will be applied by the Security Trustee in accordance with the Payment Priorities (see the section “*Cash Management - Cash Management Following a Standstill Period*” below).

Excluded Accounts

Although pursuant to the Security Agreement, NWEN and the Issuer will create first fixed charges over the Excluded Accounts in favour of the Security Trustee, the Security Documents will provide that on and following an Acceleration of Liabilities (other than a Permitted Hedge Termination) all moneys held in any Swap Collateral Account and the Debt Service Reserve Account will be held by the Security Trustee on trust for any relevant NWEN Programme Hedge Counterparty or guarantor thereof that has provided collateral for its obligations or, as the case may be, the relevant DSR Liquidity Facility Providers whose commitments have been drawn to fund the Debt Service Reserve Account.

Accession of Additional Secured Creditors

The STID requires that, to the extent that NWEN and/or the Issuer wishes any Authorised Credit Facility Provider (or, in respect of Notes, its Secured Creditor Representative) or other person to obtain the benefit of the Security, such Authorised Credit Facility Provider or other person (other than Noteholders) must sign an Accession Memorandum whereby it agrees to be bound by the terms of the STID and the CTA, including those provisions which prohibit individual Secured Creditors from taking action without the consent of the Majority Creditors.

Subordinated Creditors

The STID will contain provisions restricting the rights of Subordinated Creditors in respect of any Subordinated Debt of an Obligor from time to time. The STID will also contain mechanics requiring any creditor in respect of Subordinated Debt to accede to the STID as a Subordinated Creditor.

Entrenched Rights and Reserved Matters

As described above, modifications, consents and waivers will be agreed by the Security Trustee acting at its own discretion or, provided that the relevant Quorum Requirement has been met, in accordance with votes of the Majority Creditors pursuant to the provisions of the STID, subject to Entrenched Rights and Reserved Matters. Such modifications, consents and waivers will be binding on all of the Secured Creditors, subject to Entrenched Rights and Reserved Matters. No Entrenched Right or Reserved Matter will operate to override the provisions contained in the CTA which allow NWEN (following a Periodic Review or as a result of any material change in the regulation of the electricity distribution industry in the United Kingdom) to amend certain financial ratios contained within the covenants, Trigger Events or Events of Default provided that the Security Trustee (acting on the instructions of the Majority Creditors in accordance with the STID) agrees to such amendment and the relevant ratings set out in the definition of “Rating Requirement” (in relation to the Notes) have been affirmed by all Rating Agencies then rating the Notes (provided that in circumstances where a Rating Agency is not willing to issue a rating affirmation due to its then prevailing policy regarding the issue of rating affirmations, NWEN has certified in writing to the Security Trustee that, in its opinion, such amendment would not cause the ratings of the Notes to be downgraded below the relevant ratings set out in the definition of “Rating Requirement” by such Rating Agency).

Lists of Entrenched Rights and Reserved Matters are contained in the sections “*Entrenched Rights*” and “*Reserved Matters*” below.

Entrenched Rights

Entrenched Rights are rights that cannot be modified or waived in accordance with the STID without the consent of the Secured Creditor (or, where applicable, the Standstill Cash Manager) having the Entrenched Right.

The Entrenched Rights of the Senior Debt Providers will include any proposed modification to, or consent or waiver under or in respect of, the STID or any other Finance Document which:

- (a) as demonstrated by the relevant Senior Debt Provider (or, where applicable, its Secured Creditor Representative) to the satisfaction of the Security Trustee would result in an increase in or would adversely modify its obligations or liabilities under or in connection with the STID or any other Finance Document;
- (b) (i) would release any of the Security (unless at least equivalent replacement security is taken at the same time) unless such release is expressly permitted in accordance with the terms of the STID and the relevant Security Document or (ii) would adversely alter the rights of priority of, or the enforcement by, the relevant Senior Debt Provider (or, where applicable, its Secured Creditor Representative) under the Security Documents other than as expressly contemplated therein;
- (c) would adversely change the Payment Priorities;
- (d) would amend or have the effect of amending the Entrenched Rights or the Reserved Matters or, where applicable, the relevant Senior Debt Provider’s Entrenched Rights or Reserved Matters (in each case including any supplement to the Entrenched Rights of an Additional Secured Creditor as specified in the relevant Accession Memorandum);
- (e) would amend or would have the effect of amending (i) the definitions of “Senior DIG Proposal”, “Senior DIG Directions Request”, “Finance Documents”, “Majority Creditors”, “Qualifying Senior Debt”, “Quorum Requirement”, “Restricted Payment”, “Restricted Payment Condition”, “Senior DIG”, “Senior DIG Representatives” or “Voted Qualifying Senior Debt”, (ii) those matters expressly requiring the consent, approval or agreement of, or directions or instructions from, or waiver by the

Majority Creditors or the Security Trustee, or (iii) the percentages of aggregate Outstanding Principal Amount of Qualifying Senior Debt required to terminate a Standstill;

- (f) would delay the date fixed for payment of or payment of amounts in the nature of principal, interest or Make Whole Amount in respect of the relevant Senior Debt Provider's Senior Debt or of any fees or premia in respect of such principal, interest or Make Whole Amount or would reduce the amount of, or amount in the nature of, principal, interest or Make Whole Amount payable in respect of such Senior Debt or the amount of any fees or premia in respect of such principal, interest or Make Whole Amount;
- (g) would bring forward the date fixed for payment of, or payment of amounts in the nature of principal, interest or Make Whole Amount in respect of Senior Debt or any fees or premia in respect thereof or would increase the amount of, or amount in the nature of, principal, interest or Make Whole Amount payable on any date in respect of Senior Debt or any fees or premia in respect of such principal, interest or Make Whole Amount;
- (h) would result in the exchange of the relevant Senior Debt Provider's Senior Debt for, or the conversion of such Senior Debt into, shares, bonds or other obligations of any other person;
- (i) would change the currency of payment due under the relevant Senior Debt Provider's Senior Debt (other than due to the United Kingdom adopting the euro as its lawful currency);
- (j) (subject to paragraph (k) below and the caveat contained in the section "*Entrenched Rights and Reserved Matters*" above) would change any Event of Default or any Trigger Event or any financial ratios set out in the Finance Documents (excluding any change permitted by the CTA following a Periodic Review or any material change in the regulation of the electricity distribution industry in the United Kingdom (see the section "*Common Terms Agreement - General*" below));
- (k) would relate to the waiver of any Events of Default relating to non-payment or financial ratios or to the waiver of any Trigger Events relating to financial ratios or the making of Restricted Payments (see the sections "*Common Terms Agreement - Trigger Events*" and "*Common Terms Agreement - Events of Default*" below);
- (l) would change the rights of the relevant Senior Debt Provider to receive any sums owing to it for its own account in respect of fees, costs, charges, liabilities, Taxes, damages, proceedings, claims and demands in relation to any Finance Document to which it is a party (excluding, for the avoidance of doubt, the principal, interest or Make Whole Amount or amounts in the nature thereof payable to the relevant Senior Debt Provider);
- (m) would change any existing obligation of an Obligor to gross up any payment in respect of the relevant Senior Debt Provider's Senior Debt in the event of the imposition of withholding taxes; or
- (n) in the case of the Standstill Cash Manager, would result in an increase in or would adversely modify its obligations or liabilities under or in connection with this Deed and/or any other Finance Document,

where "**adversely**" means, in respect of any change to the Payment Priorities or other rights of priority, a change which has the effect of changing the priority of the Senior Debt Providers relative to each other, or relative to any amounts ranking *pari passu* with or in priority to the Senior Debt Providers provided that the creation of payments which rank subordinate to a Senior Debt Provider shall not be an adverse change in respect of a Senior Debt Provider.

Where a matter is to be demonstrated by a party to the satisfaction of the Security Trustee, the Security Trustee shall be entitled to rely, and thereby be regarded as being satisfied in relation thereto, on any written confirmation signed by two Authorised Signatories of the relevant party.

The Note Trustee, the Security Trustee, the NWEN Programme Hedge Counterparties and the Financial Guarantors will have certain other limited Entrenched Rights in relation to any provisions of the Finance Documents that generally affect them to a greater extent than others.

Reserved Matters

Reserved Matters are matters which, subject to the Intercreditor Arrangements and the CTA, a Secured Creditor (or its Secured Creditor Representative) is free to exercise in accordance with its own facility arrangements and so are not exercisable by or by direction of the Majority Creditors.

Those Reserved Matters which each Secured Creditor reserves to itself to decide are each and every right, power, authority and discretion of, or exercisable by, each such Secured Creditor at any time:

- (a) to receive any sums owing to it for its own account in respect of premia, fees, costs, charges, liabilities, damages, proceedings, claims and demands in relation to any Authorised Credit Facility or Finance Document to which it (or its Secured Creditor Representative) is a party (as permitted under the CTA);
- (b) to make determinations of and require the making of payments due and payable to it under the provisions of the Authorised Credit Facilities or Finance Documents to which it (or its Secured Creditor Representative) is a party (as permitted under the CTA);
- (c) to exercise the rights vested in it or permitted to be exercised by it (or its Secured Creditor Representative) under and pursuant to the CTA and the STID;
- (d) to receive notices, certificates, communications or other documents or information under the Finance Documents or otherwise;
- (e) to assign its rights or transfer any of its rights and obligations under any Authorised Credit Facility or Finance Document to which it (or its Secured Creditor Representative) is a party, subject always to the requirement of the assignee or transferee to accede to the CTA and the STID as a Secured Creditor;
- (f) in the case of each NWEN Programme Hedge Counterparty, to terminate the relevant NWEN Programme Hedging Agreement, provided such termination is a Permitted Hedge Termination.

The Note Trustee, the Security Trustee, the NWEN Programme Hedge Counterparties and the Financial Guarantors each have certain additional Reserved Matters which each has reserved to itself to decide. For the Note Trustee and each Financial Guarantor, these include rights vested in it pursuant to the terms of the Note Trust Deed and the Financial Guarantee. For the Security Trustee, these include rights vested in it pursuant to the terms of the STID.

Substitution of the Issuer

The Security Trustee shall implement any STID Proposal proposing the substitution in place of the Issuer, or any substituted Issuer, as the principal debtor under the Finance Documents of any other company incorporated in any other jurisdiction meeting the criteria for such a single purpose company established from time to time by the Rating Agencies. The implementation of any such proposal is an Entrenched Right of the Note Trustee and each Financial Guarantor.

Intercompany Loan Arrangements

Issuer/NWEN Loan Agreements

All Financial Indebtedness raised by the Issuer from time to time through the issue of Notes will be backed by an aggregate nominal amount of debt owed by NWEN to the Issuer under a corresponding loan agreement (each, an “**Issuer/NWEN Loan Agreement**”). The business and assets of NWEN demonstrate the capacity to produce funds to service any payments due and payable under the Issuer/NWEN Loan Agreements. As such,

each Issuer/NWEN Loan Agreement is a source of funds intended to be capable of servicing any payments due and payable on the Notes. Each advance under an Issuer/NWEN Loan Agreement will relate to the principal amount of the relevant Sub-Class of Notes issued on an Issue Date, subject (as to currency) to any Currency Hedging Agreement in place with respect to the relevant Issuer/NWEN Loan Agreement and entered into by the Issuer.

All advances to be made by the Issuer under an Issuer/NWEN Loan Agreement will be in a currency and in amounts and at rates of interest (plus an annual profit element payment of £10,000 payable in aggregate between the Issuer/NWEN Loan Agreements (the “**Issuer Profit Amount**“)) set out in the relevant Final Terms and/or (if a Currency Hedging Agreement has been entered into by the Issuer) converted into Sterling, as the case may be, and will have payment dates on the same dates as the related Notes. Interest on each advance made under an Issuer/NWEN Loan Agreement will accrue from the date of such advance. In addition, each advance will be repayable in whole or in part on the same dates as the related Notes.

The obligations of NWEN under each Issuer/NWEN Loan Agreement will be secured pursuant to the Security Agreement, and NWEN’s obligations will be guaranteed by each other Obligor in favour of the Security Trustee, who will hold the benefit of such security on trust for the Secured Creditors (including the Issuer) on the terms of the STID.

The Issuer’s obligations to repay principal and pay interest on the Notes are intended to be met primarily from the payments of principal and interest received from NWEN under each Issuer/NWEN Loan Agreement and, where it has hedged its exposure to such payments under an Issuer Hedging Agreement, from payments received by the Issuer under such Issuer Hedging Agreement.

NWEN will agree to make payments to the Issuer free and clear of any withholding on account of tax unless it is required by law to so withhold - in such circumstances NWEN will gross up such payments.

In the CTA, NWEN makes certain representations and warranties (as more fully set out under “*Common Terms Agreement - Representations*” below) to each Finance Party.

Each Issuer/NWEN Loan Agreement will be governed by English law.

NWEN/ENW Loan Agreement

On or around the Signing Date, NWEN will enter into a £100,000,000 loan facility (subject to increase from time to time) with ENW for the advance of loans from time to time to ENW for general corporate purposes (the “**NWEN/ENW Loan Agreement**“). The business and assets of ENW demonstrate the capacity to produce funds to service any amounts due and payable under the NWEN/ENW Loan Agreement, although such arrangements are subject to satisfaction of ENW’s licence obligations.

The initial advance of £46.5 million under the NWEN/ENW Loan Agreement will be funded by NWEN on or about the Signing Date through (i) the proceeds of the ENW Issuer/NWEN Loan Agreement and (ii) certain group relief payments made by ENW to NWEN in respect of tax losses surrendered by NWEN to ENW. It is expected that on the Programme Date, a further advance of £23.5 million will be made by NWEN to ENW under the NWEN/ENW Loan Agreement.

All advances to be made by NWEN under the NWEN/ENW Loan Agreement will be in Sterling and in amounts and at rates of interest as agreed between NWEN and ENW from time to time. Interest on each advance made under the NWEN/ENW Loan Agreement will accrue from the date of such advance. Pursuant to the Common Terms Agreement, NWEN will covenant to ensure that at all times the principal amount outstanding under the NWEN/ENW Loan Agreement is equal to or greater than an amount equal to 17.5 per cent. of the Senior Debt (without double counting to the extent any NWEN Programme Hedging Agreements have been entered into in respect of any Senior Debt) outstanding under the Programme.

ENW will agree to make payments to NWEN free and clear of any withholding on account of tax unless it is required by law to so withhold - in such circumstances ENW will gross up such payments.

The NWEN/ENW Loan Agreement will be governed by English law.

Fees Generally

The Issuer is responsible for paying the properly incurred fees and expenses of, amongst others, the Note Trustee, the Paying Agents, the Registrar, the Transfer Agents, the Agent Bank, the Arranger, the Joint Lead Managers, the Note Trustee's legal advisers, the Issuer's legal advisers, the Arranger's legal advisers and certain fees due to liquidity providers. On the Programme Date, NWEN will pay to, or to the order of, the Issuer an amount equal to the upfront fees and expenses of the foregoing and certain other fees payable by the Issuer in connection with the establishment of the Programme.

NWEN is responsible for paying the fees and expenses of the Security Trustee together with the other Secured Creditors.

In respect of the period after the Programme Date, NWEN will, by way of facility fees under the Issuer/NWEN Loan Agreements, pay to the Issuer amounts equal to the amounts required by the Issuer to pay its ongoing fees, expenses and any and all sums due to any Financial Guarantor under the Finance Documents.

Common Terms Agreement

General

Each of the Security Trustee, the Cash Manager, the Standstill Cash Manager, the Capex Facility Providers, the Note Trustee, the Principal Paying Agent, the Transfer Agent, the Registrar and others will, on or before the Signing Date, enter into a common terms agreement (the "**Common Terms Agreement**" or "**CTA**"). The CTA will set out the representations, covenants (positive, negative and financial), Trigger Events and Events of Default which will apply to each Authorised Credit Facility (including for the avoidance of doubt the Notes issued under the Programme, the Capex Facility, the NWEN Hedging Agreements, the Issuer Hedging Agreements and any other document entered into in connection with an Authorised Credit Facility, but excluding the Issuer/NWEN Loan Agreements).

It will be a term of the CTA that any representation, covenant (to the extent of being able to declare an Event of Default), Trigger Event and Event of Default contained in any document to which an Obligor is a party which is in addition to those in the CTA and any other Common Agreement and any other exception expressly set out in the CTA will be unenforceable (save for limited exceptions which will, *inter alia*, include covenants relating to indemnities, covenants to pay, covenants relating to remuneration, costs and expenses, representations and covenants in each Class or Sub-Class of Notes, and certain provisions under the Hedging Agreements). The CTA will further provide that no representation, covenant, Trigger Event or Event of Default will be breached or triggered as a result of the Permitted Post-Closing Events (including, but not limited to, the payment of all amounts outstanding under the Acquisition Debt, certain transaction fees not paid on or around the Programme Date (if applicable) and any other payments as may be agreed by NWEN and the Security Trustee in writing).

The CTA will allow NWEN (following a Periodic Review or any material change in the regulation of the electricity distribution industry in the United Kingdom) to amend certain financial ratios contained within the covenants, Trigger Events or Events of Default, **provided that** the Security Trustee (acting on the instructions of the Majority Creditors in accordance with the STID) agrees and the relevant ratings set out in the definition of "Rating Requirement" (in relation to the Notes) have been affirmed by all Rating Agencies then rating the Notes (provided that in circumstances where a Rating Agency is not willing to issue a rating affirmation due to its then prevailing policy regarding the issue of rating affirmations, NWEN has certified in writing to the

Security Trustee that, in its opinion, such amendment would not cause the ratings of the Notes to be downgraded below the relevant ratings set out in the definition of “Rating Requirement” by such Rating Agency).

The CTA will also set out the cash management arrangements to apply to the NWEN Financing Group (see the section “*Cash Management*” below). It will be a requirement of the CTA that future providers of Authorised Credit Facilities must also accede to the CTA and the STID.

A summary of the representations, covenants, Trigger Events and Events of Default to be included in the CTA is set out below.

Representations

On the Signing Date (and the Programme Date) (and, in respect of certain representations, (i) on each Issue Date and each date on which any Financial Guarantee or any other new Authorised Credit Facility is issued or entered into under the Programme and only in relation to such Notes, Financial Guarantee or Authorised Credit Facility (as applicable) (“**Initial Date Representations**”) and in respect of certain representations and (ii) on each Payment Date, each date of a request for a borrowing, the first date of each borrowing and each date for payment of a Restricted Payment (“**Repeated Representations**”), each member of the NWEN Financing Group (save where otherwise indicated below) will make a number of representations in respect of itself to each Finance Party. For the avoidance of doubt, ENW shall make the relevant representations solely in respect of itself and, where specified, its Subsidiaries and not in respect of any other member of the NWEN Financing Group. These representations will be subject, in some cases, to agreed exceptions, customary qualifications and to qualifications as to materiality and reservations of law, and will include representations as to:

- (i) its corporate status, power and authority and certain other legal matters;
- (ii) non-conflict with documents binding on it, constitutional documents or laws and, in the case of ENW, its Licence;
- (iii) no event having occurred or circumstance having arisen since the date of the last financial statements which has a Material Adverse Effect (except for any announcement of pricing determinations made by the Regulator from time to time);
- (iv) (a) in the case of the Obligors, no Default or Potential Trigger Event being outstanding or will result from entry into and performance under the Finance Documents and (b) in the case of ENW, no ENW Event of Default or ENW Potential Event of Default is outstanding or will result from its entry into and under the Finance Documents to which it is a party;
- (v) it obtaining all necessary consents and approvals;
- (vi) as at the Programme Date, its ownership of, or interests in, the assets over which it will create Security Interests under the Security Documents and, in the case of ENW, which are material to the operation of its business;
- (vii) there being no Insolvency Event in relation to it;
- (viii) the conduct of its business not violating any judgment, law or regulation;
- (ix) under the laws of its jurisdictions of incorporation and tax residence in force on the Signing Date, it not (other than as disclosed in this Prospectus or any supplement or update hereto) being required to make any deduction or withholding from any payment of interest under the Finance Documents in circumstances where, under current United Kingdom laws, no United Kingdom withholding tax would be imposed on the payment;

- (x) in the case of the Obligors only, subject to reservations of law, the claims of the Secured Creditors ranking prior to the claims of its other unsecured and unsubordinated creditors;
- (xi) on and from the Programme Date no Security Interest will be created or exist other than Permitted Security Interests and no indebtedness incurred other than Permitted Financial Indebtedness;
- (xii) save as otherwise disclosed herein (or in any updated Prospectus or supplement hereto) no litigation proceedings are current, pending or threatened;
- (xiii) compliance with any judgment, law or regulation, including environmental laws;
- (xiv) arrangements or contracts having been made on an arm's length basis;
- (xv) on and from the Programme Date, no member of the NWEN Financing Group will be liable in respect of any Financial Indebtedness that is not Senior Debt, except for certain Permitted Financial Indebtedness and in the case of ENW, the Existing ENW Bonds and the Existing ENW Group Hedging Agreements;
- (xvi) the assumptions used in respect of financial ratio calculations, projections and calculations made pursuant to the CTA or in any Investors Report or Compliance Certificate having been made in good faith, after careful consideration and consistent in all material respects with Applicable Accounting Principles and applicable Good Industry Practice;
- (xvii) its obligations under the Finance Documents being its legal valid, and enforceable obligations;
- (xviii) in the case of the Issuer only, any Notes issued under the Programme will be authorised and, when issued, will constitute the valid, binding and enforceable obligations of the Issuer and will rank *pari passu* and rateably without preference or priority amongst themselves other than with respect to the benefit of any relevant Financial Guarantees (if any);
- (xix) the preparation of its financial statements in accordance with Applicable Accounting Principles and that such financial statements give a true and fair view of its financial condition as at their date of preparation;
- (xx) except as disclosed in its financial statements, it not being subject to any contingent liabilities or commitments which would be reasonably likely to have a Material Adverse Effect;
- (xxi) in the case of the Obligors only, subject to the Perfection Requirements, on and from the Programme Date the Security Documents to which it is a party conferring the Security Interests they purport to confer and such Security Interests not being subject to any prior or *pari passu* Security Interest other than any Permitted Security Interest;
- (xxii) in the case of each Obligor only, to the best of its knowledge (and save as disclosed to the Security Trustee), each member of the NWEN Financing Group is in compliance with the Finance Documents to which it is a Party;
- (xxiii) Senior HoldCo's legal and beneficial ownership of 100 per cent. of the issued share capital of SPV HoldCo and on and from the Programme Date SPV HoldCo's legal and beneficial ownership of 100 per cent. of the issued share capital of NWEN, and NWEN's legal and beneficial ownership of 100 per cent. of the issued share capital of each of ENW and beneficial ownership of 100 per cent. of the issued share capital of each of ENW Issuer and the Issuer;
- (xxiv) limits on its powers not being exceeded as a result of the borrowing, leasing, granting of security or giving of guarantees contemplated by the Finance Documents; and

- (xxv) no loan or other indebtedness of any Obligor being outstanding to other persons immediately following the Programme Date other than (i) pursuant to the Finance Documents or (ii) Permitted Financial Indebtedness.

Additionally, each of NWEN, SPV HoldCo and the Issuer will represent that its activities have been limited prior to the Signing Date to support their bankruptcy remote status.

ENW Representations

Additionally, ENW will (subject, in some cases, to agreed exception and qualifications as to materiality and reservations of law) make representations which will include:

- (a) to the best of its knowledge, it has the right to use Intellectual Property Rights necessary for the conduct of its business;
- (b) its ownership of, or interests in, the assets which are material to the operation of its business;
- (c) insurances required to be maintained under any Finance Document being in full force and effect, where failure to maintain or effect such insurances would be reasonably likely to have material adverse effect;
- (d) compliance with environmental laws and having obtained all Environmental Permits necessary for conduct of its business and no Environmental Claim having been commenced;
- (e) ENW is not aware of any Energy Administration Order having been made in respect of it;
- (f) ENW is a participating employer under the Permitted Existing Pension Schemes. All liabilities accrued or to accrue in the future under the Permitted Existing Pension Schemes relate solely to, and are connected with (a) ENW and its Subsidiaries (whether directly by virtue of present or past employment or indirectly by virtue of past employment by a Statutory Predecessor); (b) during such time as the Asset Services Agreement remains in place, certain persons who are currently, or were formerly, employed by UUES, certain of whom were previously employed by ENW prior to its acquisition by NWEN; (c) persons employed from time to time or formerly employed by a contractor under a Permitted Outsourcing; (d) persons who are “protected persons” (as defined in The Electricity (Protected Persons) (England and Wales) Regulations 1990 and The Electricity (Protected Persons) (Scotland) Regulations 1990) who might in the future be employed by ENW or a contractor under a Permitted Outsourcing; and (e) persons not employed by ENW and who have not been employed by UU or any other person in the business of distributing electricity in the North West of England or providing electricity metering and connection services in that area but who were transferred to the ENW ESPS in contemplation of the acquisition of ENW by NWEN from the United Utilities plc group of companies;
- (g) ENW is in compliance with all the terms of its Licence where non-compliance would have a Material Adverse Effect; and
- (h) each of the Dormant ENW Subsidiaries and the Nor.Web JV Company is a Dormant Company and the Non-trading ENW Subsidiary is a non-trading entity for accounting purposes.

Covenants

The CTA will contain certain positive, negative and financial covenants from each of the Obligors and certain additional covenants from ENW relating to its regulated electricity distribution business. The covenants which will (amongst others) be included in the CTA include (subject, in some cases, to agreed exceptions, *de minimis* amounts and qualifications as to materiality and reservations of law) the covenants set out below in the sections “*Information Covenants*”, “*Issuer Information Covenants*”, “*General Covenants*” and “*Financial*

Covenants?. Such covenants include covenants which apply to all Obligors and specific covenants that apply to ENW to reflect its regulated status and specific covenants which apply to the Issuer. There will be no cross-default to ENW for breach of covenant by an Obligor, although Trigger Events and Trigger Event Consequences which are applicable on a consolidated group basis may be applied to ENW where an Obligor is in default, provided that such consequences do not amount to a breach of ENW's Licence.

NWEN Information Covenants

Financial Statements

NWEN shall provide to the Security Trustee, each Authorised Credit Facility Agent (if there is such an agent appointed in respect of an Authorised Credit Facility, otherwise to the Authorised Credit Facility Provider(s)) and each Financial Guarantor (if any) and to each Rating Agency if required to do so by such Rating Agency:

- (a) consolidated audited Financial Statements of NWEN and the non-consolidated audited Financial Statements of the Issuer and SPV HoldCo within 150 days after the end of the preceding Financial Year (such financial statements to comprise profit and loss account, balance sheet and cashflow statements);
- (b) consolidated unaudited Financial Statements of NWEN for the first financial half year in each Financial Year within 120 days after the end of such financial half year (such financial statements to comprise profit and loss account, balance sheet and cashflow statements);
- (c) ENW's audited Financial Statements within 150 days after the end of the Financial Year;
- (d) in respect of ENW and to the extent that preparation of such Regulatory Financial Statements is required pursuant to ENW's Licence, Regulatory Financial Statements within 150 days of the end of each regulatory year;

Compliance Certificates

- (a) NWEN shall supply to the Security Trustee, each Authorised Credit Facility Agent (if there is such an agent appointed in respect of an Authorised Credit Facility, otherwise to the Authorised Credit Facility Provider(s)), each Financial Guarantor (if any), (if a Standstill Period has commenced), the Standstill Cash Manager and any Rating Agency if required to do so by such Rating Agency at the same time as the financial statements referred to in paragraphs (a) and (b) in the section "*Financial Statements*" above are delivered, a Compliance Certificate prepared on behalf of the NWEN Financing Group confirming the following calculations on the most recently occurring Covenant Calculation Date with respect to each Relevant Period applicable on that Covenant Calculation Date:
 - (i) the Net Debt to RAV Ratio;
 - (ii) the Adjusted ICR; and
 - (iii) the ENW Net Debt to RAV Ratio.
- (b) The Compliance Certificate and attached statement shall be signed by two officers or Authorised Signatories of NWEN, confirming that, to the best of the knowledge and belief of NWEN:
 - (i) the content of such Compliance Certificate is accurate in all material respects;
 - (ii) no Trigger Event, Potential Trigger Event, Event of Default or Potential Event of Default has occurred and is continuing, or if a Trigger Event, Potential Trigger Event, Event of Default or Potential Event of Default has occurred and is continuing, steps (which shall be set out in full) are being taken to remedy it;

- (iii) no ENW Event of Default or ENW Potential Event of Default has occurred and is continuing, or if an ENW Event of Default or ENW Potential Event of Default has occurred and is continuing, steps (which shall be set out in full) are being taken to remedy it.
- (c) The CTA will include an acknowledgment by all relevant parties that all certificates required under the Finance Documents to be given by officers of any member of the NWEN Financing Group are given in their capacities as such officers and not in their personal capacities.

Form of Financial Statements

- (a) NWEN shall ensure that each set of Financial Statements supplied by it under the Common Terms Agreement:
 - (i) is prepared in accordance with Applicable Accounting Principles and includes a cashflow statement, a profit and loss statement and a balance sheet; and
 - (ii) in the case of audited Financial Statements, gives a true and fair view of, or, in the case of unaudited Financial Statements, fairly represents, its financial condition (consolidated or otherwise) as at the date to which those Financial Statements were drawn up and of the results of its operations during such period.
- (b) NWEN must notify the Security Trustee of any material change to the basis on which any of the Financial Statements are prepared to the extent that such change is not specifically and expressly set out in the most recent Financial Statements.
- (c) In respect of the calculation of any financial ratio, if the change notified under paragraph (b) above could reasonably be expected to result in a deviation of equal to or greater than 5 per cent. from the result of the calculation of such financial ratio if such change had not occurred, NWEN and the Security Trustee must enter into discussions for a period of not more than 60 days with a view to agreeing any amendment required to be made to the Common Terms Agreement to place NWEN, ENW and the Security Trustee in a comparable position to that in which they would have been if the change notified under paragraph (b) above had not happened. Any agreement between NWEN and the Security Trustee will be binding on all the parties to the Common Terms Agreement.
- (d) If no agreement is reached under paragraph (c) above on the required amendments to the Common Terms Agreement:
 - (i) NWEN shall prepare a description of the changes and a quantum of the adjustments which would be required to be made to those financial statements (the “**Changed Financial Statements**”) in order to cause them to use the accounting policies, practices, procedures and reference period upon which NWEN’s or ENW’s (as applicable) Financial Statements for the immediately preceding Financial Year were prepared;
 - (ii) NWEN or ENW (as applicable) shall then prepare revised financial statements (the “**Restated Financial Statements**”) to take account of the adjustments and with sufficient information, in such detail and format as may be reasonably required by the Security Trustee to enable them to make an accurate comparison between the financial position shown by the Changed Financial Statements and the Financial Statements for the immediately preceding Financial Year; and
 - (iii) NWEN or ENW (as applicable) shall request the Auditors, or if the Auditors are unable or unwilling to provide the services, the Reporting Accountants, to carry out agreed procedures (such procedures to be agreed between NWEN or ENW and its Auditors or Reporting Accountants and confirmed at the relevant time by the Security Trustee) in relation to the description, the adjustments and the Restated Financial Statements (or alternative information)

and to report their findings to them with respect to, amongst other things, the impact on the financial statements of the relevant changes and adjustments as reflected in the Restated Financial Statements.

Auditors' Review

If at any time there appears to be to the Security Trustee or any Secured Creditor a material discrepancy, inconsistency or error in any of the financial information provided to it by any member of the NWEN Financing Group, such member of the NWEN Financing Group shall if reasonably required by the Security Trustee, at such company's cost, promptly arrange for the Auditors, or if the Auditors are unable or unwilling to provide the services, the Reporting Accountants to perform agreed procedures in connection with the alleged discrepancy, inconsistency or error in relation to such financial information reviewed by the Auditors or Reporting Accountants (as the case may be) and a copy of the Auditors' or Reporting Accountants' (as the case may be) report must be delivered to the Security Trustee. Prior to the occurrence of a Potential Trigger Event or Trigger Event, the Security Trustee will not be entitled to request the review of the information provided to it by a NWEN Financing Group company by the Auditors or (as the case may be) Reporting Accountants at the cost of that company on more than two occasions in any calendar year.

Investors Report

NWEN shall supply to the Security Trustee, each Authorised Credit Facility Agent (if there is such an agent appointed in respect of an Authorised Credit Facility, otherwise to the Authorised Credit Facility Provider(s)), (if a Standstill Period has commenced) to the Standstill Cash Manager, each Financial Guarantor (if any) and to any Rating Agency if requested to do so by such Rating Agency, within 150 days after the end of each financial year, an Investors Report in respect of the period comprising that financial year. Each of the Security Trustee and (if a Standstill Period has commenced) the Standstill Cash Manager will have the right (but no obligation) to investigate the calculations contained in any Investors Report and to call for other substantiating evidence if it informs NWEN that it has reason to believe that the ratios set out in the Investors Report are incorrect or misleading or in the event that there is a deterioration in the historical ratios.

Regulator and Licence

NWEN shall supply (or procure that any other relevant member of the NWEN Financing Group supplies) to the Security Trustee, each Authorised Credit Facility Agent (if there is such an agent appointed in respect of an Authorised Credit Facility, otherwise to the Authorised Credit Facility Provider(s)), any Rating Agency if requested to do so by such Rating Agency and each Financial Guarantor (if any):

- (a) promptly (subject to confidentiality restrictions) following receipt, any enforcement orders, notices of revocation or equivalent notices received from or sent to any governmental authority or industry regulator (including the Regulator) or its shareholders which are reasonably likely to have a Material Adverse Effect;
- (b) subject to confidentiality restrictions, a copy of all information, which would reasonably be expected to be material to an Authorised Credit Facility Provider to the NWEN Financing Group, which ENW supplies to the Regulator;
- (c) subject to confidentiality restrictions, a copy of any correspondence from the Regulator regarding its Licence, which would reasonably be expected to be material to an Authorised Credit Facility Provider to the NWEN Financing Group;
- (d) as soon as reasonably practicable after becoming aware and subject to confidentiality restrictions, details of any proposed material changes to the Licence or any proposed material changes to the constitutional documents of a member of the NWEN Financing Group;

- (e) copies of all certificates and responses provided by ENW to any industry regulator (including the Regulator) which would reasonably be expected to be material and which relates to the creditworthiness of ENW or ENW's ability to perform its duties under the Licence;
- (f) copies of all reports and information provided by the operator and/or service provider to it under any agreement (including, without limitation, the Asset Services Agreement) which would be materially adverse in relation to the creditworthiness of ENW or to ENW's ability to perform its duties under the Licence; and
- (g) so far as permitted by any applicable law or any binding confidentiality obligation to the Regulator prior to its general announcement, information to the Security Trustee, each Financial Guarantor, and the Rating Agencies in relation to any price review which has or might reasonably have a Material Adverse Effect.

If any duty of confidentiality would preclude disclosure of any of the items listed above to the Security Trustee, and/or each Authorised Credit Facility Agent (or Authorised Credit Facility Provider, as applicable) and/or each Financial Guarantor, NWEN shall use its reasonable endeavours to obtain the consent of the Regulator or other governmental authority to such disclosure on the basis that such information shall remain confidential and shall not be disclosed by any recipient for so long as such information remains confidential and/or, as the case may be, with respect to any onward disclosure by such recipients to any Secured Creditors, any further recipient of such information agrees to be bound by a similar duty of confidentiality.

NWEN shall procure that ENW will use all reasonable endeavours to supply any information due to the Regulator or other governmental authority within the time period provided for supply of such information. If no time period is specified, NWEN shall procure that ENW will provide the required information as soon as reasonably practicable (taking into account Good Industry Practice). This obligation shall be subject to any action which ENW reasonably believes is consistent with prudent management as part of negotiations with the Regulator or other governmental authority.

Information - Miscellaneous

NWEN shall supply (or procure that any other relevant member of the NWEN Financing Group supplies) to the Security Trustee, each Authorised Credit Facility Agent (if there is such an agent appointed in respect of an Authorised Credit Facility, otherwise to the Authorised Credit Facility Provider(s)) and each Financial Guarantor (if any):

- (a) copies of all material documents despatched by it to its creditors generally other than in the ordinary course of business at the same time as they are despatched to such creditors;
- (b) as soon as reasonably practicable upon becoming aware of such event, details of:
 - (i) any litigation, arbitration, administrative proceedings, statutory notice (including any enforcement or prohibition notice), claim, or other proceeding or investigation (including pursuant to Environmental Law) ("**Proceedings**") which are current, threatened or pending against any member of the NWEN Financing Group and which would be reasonably likely, if adversely determined, to have a Material Adverse Effect;
 - (ii) any Proceedings which had not previously been considered would have a Material Adverse Effect if at any time the circumstances of the Proceedings change such that they would be reasonably likely to have a Material Adverse Effect, and set out the action to be taken with respect to such matters; and
 - (iii) any compromise, settlement, disposal or insurance claim the amount of which exceeds £5,000,000 (indexed);

- (c) promptly upon becoming aware of them, details concerning any Obligor and/or any Wrapped Notes or Unwrapped Debt of such Obligor being placed on credit watch with negative implications with a view to possible downgrade below Investment Grade and, by way of inclusion in the immediately following Investors Report, details of any Obligor and/or any Wrapped Notes or Unwrapped Notes being placed on credit watch with negative implications with a view to a possible downgrade to or below Investment Grade;
- (d) promptly upon becoming aware of them, details of any material change in the insurance cover in respect of the NWEN Financing Group and, upon request by the Security Trustee, copies of insurance policies or certificates of insurance in respect of the NWEN Financing Group or such other evidence of the existence of those policies as may be reasonably acceptable to the Security Trustee;
- (e) as soon as it becomes aware that any proposal regarding a Change of Control is reasonably likely to be implemented, details of such proposal (including, without limitation, the persons involved). NWEN shall also provide details of any such proposal to the Rating Agencies;
- (f) as soon as reasonably practicable upon becoming aware of such event, details of any Emergency which would be reasonably likely to have a Material Adverse Effect;
- (g) as soon as reasonably practicable upon becoming aware of such event, details of any non-compliance with any law or regulation which would be reasonably likely to have a Material Adverse Effect;
- (h) promptly on request, such further information regarding the financial condition, assets and operations of the NWEN Financing Group and/or any member of the NWEN Financing Group (including, without limitation, any requested amplification or explanation of any item in the Financial Statements, monthly budgets or other material provided by the Issuer under the Common Terms Agreement, any changes to persons, procedures or policies relating to management of the NWEN Financing Group and an up-to-date copy of its shareholders' register (or equivalent in its jurisdiction of incorporation)) as the Security Trustee may reasonably request; and
- (i) as soon as reasonably practicable upon becoming aware of them, details of any other event which would be reasonably likely to have a Material Adverse Effect.

Operating Budget

- (a) NWEN shall supply to the Security Trustee and each Authorised Credit Facility Agent (if there is such an agent appointed in respect of an Authorised Credit Facility, otherwise to the Authorised Credit Facility Provider(s)) as soon as the same becomes available but in any event within forty-five (45) days after the start of each of its Financial Years, a copy of the annual Operating Budget for that financial year on a consolidated basis in respect of the NWEN Financing Group.
- (b) NWEN shall ensure that each Operating Budget:
 - (i) is in a form which includes a projected consolidated profit and loss, balance sheet and cashflow statement, projected disposals and projected Capital Expenditure, projected financial covenant calculations, projected aggregate Excess Funds and descriptions of the proposed activities for the financial year to which the Operating Budget relates in each case, on a consolidated basis in respect of the NWEN Financing Group. The projections shall relate to the twelve (12) month period comprising, and each month in, that Financial Year; and
 - (ii) is prepared in accordance with the Applicable Accounting Principles and the accounting practices and financial reference periods applied to financial statements delivered as described in the section "*NWEN Information Covenants - Financial Statements*" above; and

- (iii) has been approved by the board of directors of NWEN (in relation to the NWEN Financing Group) and ENW (in relation to ENW and its Subsidiaries only),
- (c) If the Operating Budget is materially updated or changed, NWEN shall promptly deliver to the Security Trustee, the Secured Creditors (or, as the case may be, their Secured Creditor Representatives) and each Authorised Credit Facility Agent (if there is such an agent appointed in respect of an Authorised Credit Facility, otherwise to the Authorised Credit Facility Provider(s)), such updated or changed Operating Budget together with a written explanation of the main changes in that Operating Budget.

Notification of Default

- (a) NWEN shall notify (and shall procure that each member of the NWEN Financing Group notifies) the Security Trustee, each Authorised Credit Facility Agent (if there is such an agent appointed in respect of an Authorised Credit Facility, otherwise to the Authorised Credit Facility Provider(s)), the Standstill Cash Manager and each Rating Agency rating the Senior Debt from time to time of any Default or Potential Trigger Event relating to it or any ENW Default promptly upon becoming aware of its occurrence (and the steps, if any, being taken to remedy it).
- (b) Promptly following any reasonable request by the Security Trustee or the Standstill Cash Manager (and, in any event, within 14 days of such request), NWEN shall supply to the Security Trustee and the Standstill Cash Manager a certificate, signed by two of its Authorised Signatories on its behalf, certifying that no Default or Potential Trigger Event or ENW Default is outstanding or, if a Default or Potential Trigger Event or ENW Default is outstanding, specifying the Default or Trigger Event or ENW Default (as the case may be) and the steps, if any, being taken or proposed to be taken to remedy it.

Issuer Information Covenants

General

- (a) The Issuer shall, upon receiving a written request from the Note Trustee, deliver to the Note Trustee a certificate duly signed on behalf of the Issuer setting out details of the aggregate principal amount of Notes purchased by the Issuer and held by any person for the benefit of any member of the NWEN Financing Group, any Financial Guarantor or, so far as the Issuer is aware, any of their respective Affiliates, Holding Companies and Subsidiaries.
- (b) The Issuer shall send or procure to be sent (not less than three days prior to the date of publication) to the Note Trustee, for the Note Trustee's approval, one copy of each notice to be given to the Noteholders in accordance with the Conditions.
- (c) So far as permitted by applicable law and any confidentiality restriction, the Issuer shall provide the Note Trustee with such information as it reasonably requires to perform its functions under the Note Trust Deed;
- (d) The Issuer shall give notice to the Noteholders of payments made after their due date to the Principal Paying Agent or the Note Trustee immediately following the making of such payments.
- (e) The Issuer shall, not later than the number of days specified in the relevant Conditions prior to the redemption or repayment date in respect of any Note, give to the Note Trustee notice in writing of the amount of such redemption or repayment pursuant to the Conditions.
- (f) Prior to giving notice to Noteholders that it intends to redeem any Notes on account of an index event or tax event, the Issuer shall provide such information to the Note Trustee and the Financial Guarantors

as the Note Trustee and the Financial Guarantors require in order to satisfy themselves of the matters referred to in the relevant Conditions.

- (g) If, before an Interest Payment Date for any Note, such Note becomes subject to the taxation jurisdiction of any territory or any political sub-division thereof or any authority therein or thereof having power to tax other than or in addition to the United Kingdom, the Issuer shall notify (immediately upon becoming aware thereof) the Note Trustee of such event and (unless the Note Trustee otherwise agrees) to enter into a deed supplemental to the Note Trust Deed, amending such Note Trust Deed so that it makes reference to that other or additional territory
- (h) The Issuer shall, upon becoming aware thereof, promptly give notice to the Note Trustee and to the Security Trustee and (during the term of its appointment) the Standstill Cash Manager if the Issuer or any Hedge Counterparty is required to make any deduction or withholding on the amount of any Tax.
- (i) While any of the Notes remains outstanding, the Issuer or NWEN shall give notice, or procure that notice is given, to each Rating Agency rating the Senior Debt from time to time and (with respect to certain information) to the Standstill Cash Manager of certain additional information relating to the Notes and the Finance Documents, including with respect to certain amendments thereto, consents requested thereunder, the occurrence of any Default or Trigger Events and the appointment and/or termination of certain parties with respect to the Notes.
- (j) The Issuer shall give not fewer than 14 days' prior notice to the Noteholders and the Standstill Cash Manager of any future appointment or any resignation or removal of any Agent (subject to receiving notice thereof) or of any change by any Agent of its specified office.
- (k) The Issuer shall observe and comply with its obligations, and shall use all reasonable endeavours to procure that the Agents observe and comply with their obligations, under the Agency Agreement and, if any Registered Notes are outstanding, to procure that the Registrar maintains the Register and to notify the Note Trustee immediately if it becomes aware of any material breach or failure by an Agent in relation to the Notes.
- (l) The Issuer shall notify the Note Trustee of any material amendment to the Dealership Agreement.

Notification of Default

- (a) The Issuer shall notify (and shall procure that each member of the NWEN Financing Group will notify) the Security Trustee, the Standstill Cash Manager, each Rating Agency rating the Notes from time to time and each Financial Guarantor (if any) of any Default or Potential Trigger Event relating to it promptly upon becoming aware of its occurrence (and the steps, if any, being taken to remedy it).
- (b) Promptly following any reasonable request by the Security Trustee or the Standstill Cash Manager (and, in any event, within 14 days of such request), the Issuer must supply to the Security Trustee and the Standstill Cash Manager a certificate, signed by two of its Authorised Signatories on its behalf, certifying that no Default or Potential Trigger Event is outstanding, specifying the Default or Trigger Event and the steps, if any, being taken or proposed to be taken to remedy it.

Use of Websites

- (a) Except as provided below, the Issuer or NWEN may deliver any information pursuant to the Common Terms Agreement to a Secured Creditor (other than the Security Trustee and the Standstill Cash Manager) by posting it on an electronic website if:
 - (i) the Issuer or NWEN (as applicable) (with the approval of the Security Trustee) designate an electronic website (without password protection) (the “**Designated Website**”) for this purpose;

- (ii) the Issuer or NWEN (as applicable) notifies the Security Trustee of the address of the Designated Website; and
- (iii) the Issuer or NWEN updates the information annually or semi-annually (as applicable).

NWEN, failing whom, the Security Trustee must supply each relevant Secured Creditor with the address of the website. The Issuer and NWEN may designate a third party to operate and manage the Designated Website on its behalf.

- (b) The Issuer and NWEN must promptly upon becoming aware of its occurrence, notify the Security Trustee if:
 - (i) the Designated Website cannot be accessed for a period of five consecutive Business Days; or
 - (ii) the Designated Website or any information on the website is infected by any electronic virus or similar software for a period of five consecutive Business Days.

If the circumstances in paragraphs (i) or (ii) above occur, the Issuer or NWEN (as applicable) must supply all information required to be delivered under the Common Terms Agreement to each required Secured Creditor in paper form.

General Covenants

- (i) Each Obligor will undertake, *inter alia*, as follows:
 - (a) Each Obligor shall (and NWEN shall ensure that each member of the NWEN Financing Group will) promptly obtain, comply with and maintain in full force and effect any authorisations required to enable it to perform its obligations under the Finance Documents, ensure the legality, validity, enforceability or admissibility in evidence of any Finance Document to which it is respectively a party, and enable it to own its assets and to carry on its business, trade and ordinary activities as currently conducted where failure to obtain or comply with those authorisations is reasonably likely to have a Material Adverse Effect.
 - (b) Each Obligor shall (and NWEN shall ensure that each member of the NWEN Financing Group will) comply in all respects with all laws to which it may be subject, if failure so to comply has or is reasonably likely to have a Material Adverse Effect.
 - (c) Subject to paragraph (d) below, NWEN shall procure that the businesses of each member of the NWEN Financing Group are operated and maintained with a view to producing sufficient income to meet the obligations of each Obligor under the Finance Documents as they fall due.
 - (d) NWEN shall procure that ENW carries out its business in accordance with Good Industry Practice.
 - (e) Other than as a result of Permitted Emergency Action or in respect of certain contracts expressly provided for in the Finance Documents, no Obligor shall enter into any arrangement or contract with any person otherwise than on an arm's length basis save as has been disclosed or unless expressly permitted under the Finance Documents.
 - (f) Each Obligor shall (and NWEN shall ensure that each member of the NWEN Financing Group will) maintain in good working order and condition (ordinary wear and tear excepted) all of its assets necessary or desirable in the conduct of its business where failure to do so is reasonably likely to have a Material Adverse Effect.

- (g) Each Obligor shall promptly do all such acts or execute all such documents as the Security Trustee may reasonably specify to perfect the Security and/or to facilitate the realisation of the assets which are, or are intended to be, the subject of the Security.
- (h) Each Obligor shall (and NWEN shall procure that each Obligor shall) take all such action as is available to it as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Security.
- (i) Each Obligor shall, so far as permitted by applicable law and regulatory requirements, execute all such further documents and do all such further acts and things as the Security Trustee and/or the Note Trustee may consider to be necessary at any time to give effect to the terms of the Finance Documents.
- (j) Each Obligor shall procure that:
 - (i) if any Obligor proposes to incur any Financial Indebtedness (which shall include the entering into of any guarantee agreement and/or guarantee and reimbursement agreement in respect of any Notes with any person not already a party to the CTA and the STID) pursuant to any new Finance Document or it is proposed that any person (other than a member of the NWEN Financing Group) is to become party to a Finance Document, the relevant accession procedures set out in the STID and any accession or other relevant procedures specified in the relevant Finance Document are completed on or before the date such relevant Finance Document is entered into or such person becomes a party to the relevant Finance Document;
 - (ii) if any member of the NWEN Financing Group proposes to incur any Subordinated Debt, the relevant accession procedures set out in the STID are completed with respect to the proposed creditor under such Subordinated Debt on or prior to such Subordinated Debt being entered into; and
 - (iii) if any company is to become a Permitted Subsidiary, the relevant accession procedures set out in the STID are completed upon such company becoming a Permitted Subsidiary.
- (k) Each Obligor shall comply (and NWEN shall procure that ENW and each of its Subsidiaries complies, to the extent permitted by ENW's Licence) with its cash management obligations set out in the Common Terms Agreement.
- (l) NWEN shall ensure that all bank accounts of the Obligors shall be opened and maintained with an Account Bank and are subject to valid security under the Security Documents.
- (m) Each Obligor shall do all such things as are necessary to maintain its corporate status.
- (n) Each Obligor shall ensure that the secured claims of Secured Creditors against it under the Finance Documents will rank (subject to certain reservations as to matters of law) prior to the claims of all its other unsecured and unsubordinated creditors save for those whose claims are preferred solely by law.
- (o) Each Obligor shall ensure that there are installed and maintained accounting, management information, financial modelling and cost control systems which are of such a standard which can produce the information required within the time set out in the Finance Documents and procure that there are maintained books of account and other records adequate to reflect fairly and accurately its financial condition, the results of its operations and to provide the reports required to be delivered pursuant to the Finance Documents.

- (p) NWEN shall ensure that each member of the NWEN Financing Group will comply with all Environmental Laws and obtain, maintain and ensure compliance with all requisite Environmental Permits where failure to do so would have a Material Adverse Effect.
- (q) NWEN shall procure that each member of the NWEN Financing Group will preserve and maintain the subsistence and validity of the Intellectual Property Rights necessary for the business of the relevant NWEN Financing Group member.
- (r) NWEN shall ensure that, save as otherwise agreed by the Security Trustee and save for any Permitted Acquisitions or Permitted Disposals, the corporate ownership structure of the NWEN Financing Group remains as it was as at the Programme Date.
- (s) NWEN shall procure that at all times the sum of the Debt Service Reserve Account Balance (including the value of any Authorised Investments made from the Debt Service Reserve Account) and the Available DSR Liquidity Amount is at least equal to the Required Balance.
- (t) NWEN shall procure that the NWEN Financing Group maintains insurance cover with reputable underwriters or insurance companies which is consistent with the generally accepted practices of prudent electricity distribution companies, provided such insurance is available in the market on commercially reasonable terms.
- (u) For as long as there is Senior Debt outstanding, NWEN shall use its best endeavours to procure that each of the Issuer and NWEN maintains Shadow Ratings in respect of the Wrapped Notes and a credit rating in respect of the Unwrapped Notes by each of the Rating Agencies, in each case, of at least Investment Grade.
- (v) NWEN shall agree to co-operate with the Rating Agencies in connection with any reasonable request for information in respect of the maintenance of a published underlying rating or credit rating, as the case may be, and with any review of the business which may be undertaken by one or more of the Rating Agencies after the Programme Date.
- (w) NWEN shall procure that any Treasury Transactions entered into by the relevant members of the NWEN Financing Group are those appropriate or necessary to protect or enhance the business of the NWEN Financing Group, or are otherwise entered into in accordance with the Hedging Policy, and will be carried out by appropriate and experienced staff in accordance with Good Industry Practice and on a non-speculative basis.
- (x) No Obligor shall (and NWEN shall procure that no member of the NWEN Financing Group shall) enter into any Treasury Transaction other than (i) in respect of Hedging Agreements in accordance with the Hedging Policy and (ii) in respect of ENW, as are prudently reflective of regulatory requirements from time to time.
- (y) No Obligor shall (and NWEN shall procure that no member of the NWEN Financing Group shall) enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction other than a Permitted Investment, a Permitted Acquisition, a Permitted Disposal or a Permitted Joint Venture.
- (z) No Obligor shall (and NWEN shall procure that no member of the NWEN Financing Group shall) change its tax residence from the jurisdiction in which it was tax resident as of the Signing Date.
- (aa) (1) Except with the consent of the Security Trustee, no Obligor shall (and NWEN shall procure that no member of the NWEN Financing Group shall) participate in a scheme in respect of retirement benefit arrangements with companies other than the other members of the NWEN

Financing Group, provided that ENW and the other members of the NWEN Financing Group may (a) participate in the Permitted Existing Pension Schemes, (b) enter into arrangements for the provision of a pension scheme as a successor to a Permitted Existing Pension Scheme with a Third Party Scheme Provider without the consent of the Security Trustee; (c) enter into arrangements with an ASA Contracting Company in connection with a Permitted Outsourcing and in respect of those of its employees who are or who become members of a Permitted Existing Pension Scheme or who are “protected persons” (as defined in The Electricity (Protected Persons) (England and Wales) Regulations 1990 and The Electricity (Protected Persons) (Scotland) Regulations 1990) where, having regard to the terms of the Licence for the time being in force, it is cost-effective so to do. (2) NWEN shall ensure that all pension schemes operated by or maintained by any member of the NWEN Financing Group or any Third Party Scheme Provider for the benefit of members of the NWEN Financing Group and/or any of its employees or any member of a Permitted Existing Pension Scheme are (a) funded to the extent required by law and the terms of such schemes based on reasonable actuarial assumptions and (b) operated or maintained as required by law and the terms of such schemes.

- (bb) Each Obligor undertakes that it will not (and NWEN undertakes to procure that no member of the NWEN Financing Group will) make any Capital Expenditure or capital investment other than a Permitted Investment.
- (cc) Each Obligor undertakes that it shall not (and NWEN undertakes to procure that each other member of the NWEN Financing Group shall not) undertake any business which is not a Permitted Business.
- (dd) Neither NWEN nor the SPV HoldCo shall carry on any business or engage in any activity other than (i) that of a Holding Company or (ii) that business which is a Permitted Business, or (iii) that which is contemplated by, or necessary in connection with, its obligations under the terms of the Finance Documents.
- (ee) No Obligor shall be entitled to make (and NWEN shall procure that no member of the NWEN Financing Group shall make) a Restricted Payment unless the following conditions (the “**Restricted Payment Conditions**”) are satisfied or as otherwise permitted pursuant to the Finance Documents:
 - (i) no Event of Default or Potential Event of Default is subsisting;
 - (ii) no Trigger Event is subsisting;
 - (iii) no drawings are outstanding under any DSR Liquidity Facility (other than Standby Drawings) and no withdrawals have been made from the Debt Service Reserve Account pursuant to paragraph 9.6.2 of Schedule 11 of the Common Terms Agreement (see “*Determination Date transfers from the Debt Service Reserve Account*” below) ;
 - (iv) the Restricted Payment is made within 90 days of the date of delivery of the most recent audited annual consolidated financial statements, semi annual unaudited financial statements or, as the case may be, Regulatory Financial Statements required to be delivered by the Obligors; and
 - (v) in respect of any Restricted Payment made by NWEN, the Restricted Payment is made from funds standing to the credit of the Excess Cash Ledger,

and no Obligor shall (and NWEN shall procure that no member of the NWEN Financing Group shall) put in place any alternative arrangements, the purpose of which is to circumvent any such limitation on the payment of any Restricted Payments.

- (ff) No Obligor shall, without the consent of the Majority Creditors, sell, transfer or otherwise dispose of any of its equipment, undertaking, revenues, business or assets (in whole or in part) other than Permitted Disposals or Permitted Security Interests without the prior written consent of the Majority Creditors.
- (gg) No Obligor may make any acquisition or investment, whether directly or indirectly, except by way of a Permitted Investment, a Permitted Acquisition or pursuant to the Share Exchange Agreement.
- (hh) No Obligor shall (and NWEN shall procure that no member of the NWEN Financing Group shall) incur any Financial Indebtedness other than Permitted Financial Indebtedness.
- (ii) No Obligor shall (and NWEN shall procure that no member of the NWEN Financing Group shall) incur any Financial Indebtedness (other than in respect of any Subordinated Debt) unless following the incurrence of such Financial Indebtedness or such amendment (as the case may be), both of the Maturities Concentration Tests are met.

In this paragraph (ii):

“Expected Maturity Date” means:

- (x) in respect of any Financial Indebtedness, the scheduled maturity date of such Financial Indebtedness; and
- (y) in respect of any amendment to the scheduled maturity date of Financial Indebtedness, the new scheduled maturity date which applies following such amendment; and
- (z) in respect of either paragraph (x) or (y), such earlier date on which any Financial Indebtedness would, in the ordinary course, be expected to be repaid in full as a result of Subordinated Step-up Fee Amounts or other extraordinary payment being required to keep such Financial Indebtedness outstanding.

“Hedge Accretion” means an accretion for inflation under an Index-Linked Hedging Agreement;

“Hedge Percentage” means the sum of the percentages each of which is determined by dividing each Hedge Accretion which has a Relevant Termination Date within the applicable test period by the RAV (as adjusted for inflation up to that date);

“Maturities Concentration Tests” means tests covering both of the Span Period and the Regulatory Test Period set out below;

“MC Test Date” is the proposed date of the incurrence of the relevant Financial Indebtedness.

“Relevant Debt” means any Financial Indebtedness (other than in respect of any Subordinated Debt) other than any accretion for inflation under an Index-Linked Hedging Agreement.

“Relevant Debt Percentage” is the aggregate of the nominal outstanding Relevant Debt of the NWEN Financing Group having an Expected Maturity Date within the applicable test period divided by the RAV at the MC Test Date and expressed as a percentage.

“**Relevant Termination Date**” in the case of a Hedge Accretion is the date upon which the agreement giving rise to it:

- (x) may be terminated at the election of the applicable Hedge Counterparty (but if there is more than one such date within a test period, only the first of them shall be included in the relevant Maturities Concentration Test);
- (y) has a scheduled termination date; or
- (z) will terminate pursuant to any mandatory termination provision specified in the relevant Hedging Agreement,

“**Regulatory Test Period**” is the period from the nearest Periodic Review Effective Date before the Expected Maturity Date of the proposed Financial Indebtedness until the next following Periodic Review Effective Date.

“**Span Period**” is each period of 24 consecutive months in which the Expected Maturity Date of the proposed Financial Indebtedness falls.

The Maturities Concentration Tests are to be applied as of the MC Test Date and on the basis that the Financial Indebtedness it is proposed to incur was in fact incurred immediately before the beginning of that day.

The Maturities Concentration Tests are satisfied if both:

- (x) the sum of the Relevant Debt Percentage and the Hedge Percentage for each Span Period is less than or equal to 30 per cent.. The applicable test period for the purposes of each calculation of the Relevant Debt Percentage and of the Hedge Percentage is each relevant Span Period; and
- (y) the sum of the Relevant Debt Percentage and the Hedge Percentage for the Regulatory Test Period is less than or equal to 40 per cent. (adjusted and increased proportionately to the extent that the period from one Periodic Review to the next Periodic Review is greater than 5 years). The applicable test period for the purposes of each calculation of the Relevant Debt Percentage and of the Hedge Percentage is each relevant Regulatory Test Period,

provided that for the purpose of the Maturities Concentration Test in paragraph (x) above, the definition of Relevant Debt as set out above shall, absent any further Financial Indebtedness falling due in the relevant Span Periods, disregard the principal amount outstanding of the Existing ENW Fixed Rate Notes.

- (jj) No Obligor shall (and NWEN shall procure that no member of the NWEN Financing Group shall) create or allow to exist any Security Interest on any of its present or future revenues or assets other than Permitted Security Interests.
- (kk) Subject to certain permitted exceptions, no Obligor may be (and NWEN shall procure that no member of the NWEN Financing Group is) a creditor in respect of any Financial Indebtedness.
- (ll) NWEN shall procure that no member of the NWEN Financing Group replaces the Auditors (unless the replacement Auditors are a firm of independent public accountants of international standing) or changes its financial year end without the prior written consent of the Security Trustee, such consent not to be unreasonably refused and not to be refused if the Regulator requires the relevant financial year to be changed, in which case NWEN will change the

financial covenant calculations in such manner as the Security Trustee deems necessary to enable such calculations to continue to be calculated from the relevant financial statements.

- (mm) No Obligor shall (and NWEN shall procure that no member of the NWEN Financing Group shall) amend, vary, supplement or agree to any variation or waiver of, to the extent such variation or waiver would have a Material Adverse Effect, the Asset Services Agreement, or any successor agreement thereto, or any similar agreement in connection with a Permitted Outsourcing to which it is a party without the prior written consent of the Security Trustee.
- (nn) No Obligor shall (and NWEN shall procure that no member of the NWEN Financing Group shall) amend, vary, supplement or agree to any variation or waiver of any Finance Documents other than in accordance with their terms.
- (oo) Each of NWEN and ENW shall at all times maintain on its board of directors at least one non-executive director who is not an employee or director of any Affiliate (except for ENW in the case of NWEN and NWEN in the case of ENW), subject to temporary vacancies arising out of exceptional circumstances.
- (pp) Each of NWEN and ENW shall at all times, ensure that at least 50 per cent. of the directors comprising its board of directors are not also directors of NWEN (Jersey).
- (qq) Each of NWEN and ENW shall procure that any director on its board who is also either (i) a director of NWEN (Jersey) or (ii) a representative of a shareholder of NWEN (Jersey), shall be excluded from voting on any proposed resolutions relating to the payment of Restricted Payments.
- (rr) Each of NWEN and ENW shall procure that all non-executive directors on its board of directors attend and vote on any matters relating to its solvency and in so doing, such non-executive directors take into account the interests of the Issuer and the holders of the Senior Debt.
- (ss) No Obligor shall (and NWEN shall procure that no member of the NWEN Financing Group shall):
 - (i) redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so;
 - (ii) issue any shares which by their terms are redeemable or convertible or exchangeable for Financial Indebtedness; or
 - (iii) after the Programme Date, issue any share capital to any person;other than in respect of paragraphs (ss)(i) and (iii) above where any such action or transaction:
 - (A) is only in furtherance of a Restricted Payment, where the amount of the Restricted Payment is permitted to be paid pursuant to the Finance Documents, (B) is expressly permitted under the Finance Documents or the Share Exchange Agreement, (C) is an issue of further share capital to a then existing shareholder of such company or a reduction in the issued share capital of such company or (D) has received the prior written consent of the Security Trustee.
- (tt) NWEN shall ensure that there are no agreements in force or corporate resolutions passed which call for the present or further issue or allotment of, or grant to any person other than NWEN, the right (whether conditional or otherwise) to call for the issue or allotment of any share (or equivalent) loan note or loan capital of ENW (including an option or right of pre-emption or conversion) in each case, save to the extent permitted by paragraph (ss) above or as is otherwise expressly permitted pursuant to the Common Terms Agreement.

- (uu) No Obligor shall (and NWEN shall procure that no member of the NWEN Financing Group shall) compromise or settle any claim, litigation or arbitration without prior notification to the Security Trustee if any such compromise or settlement would be reasonably likely to have a Material Adverse Effect.
 - (vv) NWEN shall ensure that the principal amount outstanding of the NWEN/ENW Loan Agreement does not fall below an amount equal to 17.5 per cent. of all Senior Debt (without double counting to the extent that any NWEN Programme Hedging Agreements have been entered into in respect of any Senior Debt) at any time as a result of prepayment or repayment thereof, or otherwise.
- (ii) Additionally, ENW will undertake, amongst other things, as follows:
- (a) Neither ENW nor any of its Subsidiaries shall acquire a company or any shares or securities or a business or undertaking (or, in each case, any interest in any of them) or incorporate a company except as otherwise permitted under the CTA (including acquisitions or incorporations which relate to Permitted Investments or Permitted Acquisitions).
 - (b) ENW shall not (and ENW shall ensure that its Subsidiaries do not) enter into, invest in or acquire (or agree to acquire) any shares, stocks, securities or other interest in any Joint Venture or transfer any assets or lend to or guarantee or give an indemnity for or give Security for the obligations of a Joint Venture or maintain the solvency of or provide working capital to any Joint Venture (or agree to do any of the foregoing) (except for Permitted Joint Ventures).
 - (c) Neither ENW nor any of its Subsidiaries shall make any material change to its memorandum or articles of association or other constitutional documents without the prior written consent of the Security Trustee.
 - (d) Neither ENW nor any of its Subsidiaries shall compromise or settle any claim, litigation or arbitration without prior notification to the Security Trustee if any such compromise or settlement would be reasonably likely to have a Material Adverse Effect.
 - (e) Neither ENW nor any of its Subsidiaries shall sell, lease, licence, transfer or otherwise dispose of any of its equipment, undertaking, revenues, business or any assets (in whole or in part) other than Permitted Disposals or Permitted Security Interests without the prior written consent of the Security Trustee (acting reasonably at its sole discretion or at the direction of the Majority Creditors, in accordance with the STID).
 - (f) Other than as a result of Permitted Emergency Action or in respect of certain contracts expressly provided for in the Finance Documents, ENW shall not enter into any arrangement or contract with any person otherwise than on an arm's length basis save as has been disclosed or unless expressly permitted under the Finance Documents.
 - (g) ENW undertakes (on behalf of itself and each of its Subsidiaries) that it will not undertake any outsourcing other than Permitted Outsourcing in accordance with Good Industry Practice.
 - (h) ENW shall ensure it has adequate financial and management resources to enable it to discharge its core obligations under the Licence and, in respect of performance obligations which are either passed on to a contractor or outsourced in accordance with any Permitted Outsourcing, it has retained sufficient control to discharge its obligations under the Licence.
 - (i) ENW shall ensure that the nature of its business is limited to the Appointed Business or any other Permitted Business.

- (j) ENW may not permit, agree to or recommend any suspension of all or a material part of the operation of its Appointed Business or the abandonment of all or a material part of its Appointed Business unless such suspension or abandonment is in accordance with its Licence.
- (k) If ENW exceeds the Permitted Non-Appointed Business Limits, it shall dispose of or reduce all or part of its Permitted Non-Appointed Business within six months of the date on which the Permitted Non-Appointed Business Limits are first exceeded or such longer period as may be agreed with the Security Trustee so that the Permitted Non-Appointed Business Limits are complied with on the next Covenant Calculation Date immediately following the expiry of the relevant six-month period.
- (l) ENW shall conduct its Appointed Business in its own name only and ensure that separation from the NWEN Financing Group or any Affiliate is maintained at all times by holding ENW out as a separate entity.
- (m) ENW shall operate and maintain, or ensure the operation and maintenance of, its business in a safe, efficient and business-like manner and in accordance with Good Industry Practice and the Finance Documents.
- (n) ENW shall comply in all material respects with the Licence save to the extent the Regulator has in writing waived or approved such non-compliance and a copy of such waiver or approval is provided to the Security Trustee.
- (o) Save where such amendments or variations are mandatorily required by law or regulation, ENW shall not agree to any amendments or variations of the Licence which would reasonably be expected to have a Material Adverse Effect.
- (p) ENW shall levy charges to customers which, together with other available amounts, are as far as possible and taking the regulatory period as a whole, sufficient, within the constraints of the current price control framework or other regulatory requirements, to enable ENW to meet its operational, investment and financial obligations on a timely basis under any Licence and its obligations in respect of Financial Indebtedness.
- (q) Following receipt of notice of termination of the Licence, ENW shall use its reasonable endeavours to ensure that subject to its obligations under the Relevant Legislation, a Transfer Scheme is agreed between ENW, the transferee and the Regulator by a date no less than two years prior to the expiration of such notice and any such Transfer Scheme will not be prejudicial to the interests of the Secured Creditors subject to the Licence.
- (r) Subject to its obligations under the Relevant Legislation, ENW shall not agree to any Transfer Scheme without the consent of the Security Trustee and each Financial Guarantor (if any).
- (s) ENW shall (subject to its financial, regulatory and operational commitments, the provisions of the ENW Conditions, the provisions of the Finance Documents, the fiduciary obligations of its directors and its obligations under its Licence), prior to each Determination Date, take all such action as may be within its capacity and powers (i) to declare and pay distributions and dividends out of post-tax profits and any distributable reserves, (ii) to pay any amounts due to NWEN pursuant to the NWEN/ENW Loan Agreement, and (iii) to pay any other amounts owed by it, in each case to NWEN by payment into the Debt Service Payment Account (to be credited to the Debt Service Ledger) (an “**Intra-Group Debt Service Distribution**”) such payments to be made to the extent required to ensure, taking into account any other funds available to NWEN other than funds standing to the credit of the Debt Service Reserve Account and funds available pursuant to any DSR Liquidity Facility, that NWEN is able to meet its payment

obligations under the Payment Priorities set out in the CTA, provided that, in the case of (i) above, the payment is made after a duly constituted board meeting has been held approving the declaration of such dividend.

- (t) ENW shall supply any information due to, or requested by, the Regulator within the time period provided for supply of such information.
 - (u) For as long as there is Senior Debt outstanding, ENW shall use all reasonable endeavours to maintain a Shadow Rating in respect of the ENW Wrapped Notes and a credit rating in respect of the ENW Unwrapped Notes, in each case, of at least Investment Grade by at least two of the Rating Agencies.
 - (v) ENW shall ensure that (i) no member of the NWEN Financing Group, while it is a Dormant Company, will carry on any business or incur any liability or demand or accept payment of any indebtedness owing to it by any other member of the NWEN Financing Group, (ii) no member of the NWEN Financing Group shall pay any indebtedness owing to any Dormant Company, and (iii) each Dormant ENW Subsidiary and the Nor.Web JV Company shall either be maintained as Dormant Companies and/or shall be wound up on a voluntary basis at such time, in such manner and exercising the degree of skill and prudence as would reasonably be exercised by a skilled and experienced person engaged in the same type of undertaking in similar circumstances.
- (iii) Additionally, the Issuer will undertake, *inter alia*, as follows:
- (a) For as long as there is Senior Debt outstanding, the Issuer shall use all reasonable endeavours to maintain a Shadow Rating in respect of its Wrapped Debt and a credit rating in respect of its Unwrapped Debt, in each case, of at least Investment Grade by at least two of the Rating Agencies.
 - (b) The Issuer shall use all reasonable endeavours to procure the admission of all listed Notes for trading on the London Stock Exchange, or such other stock exchange of similar standing approved by the Dealers and the Note Trustee, and to maintain such admission until none of the relevant listed Notes is outstanding (provided that such stock exchange is a recognised stock exchange within the meaning of the Income Tax Act 2007).
 - (c) The Issuer shall observe and comply with its obligations, and use all reasonable endeavours to procure that the Agents, once appointed, observe and comply with all their obligations under the Agency Agreement and, if any Registered Notes are outstanding, to procure that the Registrar, once appointed, maintains the Register and to notify the Note Trustee immediately if it becomes aware of any material breach or failure by an Agent in relation to the Notes.
 - (d) The Issuer shall apply the proceeds of any Notes issued under the Programme in advancing loans under the Issuer/NWEN Loan Agreements to NWEN.
 - (e) The Issuer shall ensure that for each type of Note issued (whether denominated in sterling, a fixed rate note, a floating rate note or an indexed note), it shall advance a corresponding loan under an Issuer/NWEN Loan Agreement to NWEN with the equivalent economic effect (less the Issuer Profit Amount).
 - (f) The Issuer shall not carry on any business other than the raising of funds to provide debt financing to the NWEN Financing Group in accordance with the Finance Documents or any Issuer Hedging Agreement in accordance with the Hedging Policy, or as permitted under the Finance Documents.

- (g) The Issuer shall not own any assets or incur any liabilities except as required or permitted pursuant to the Finance Documents.
- (h) The Issuer shall not suspend, abandon or cease to carry on its business.
- (i) The Issuer shall not take any steps to enforce any claims it may have against any other Obligor without the prior written consent of the Security Trustee.

Financial Covenants

- (i) NWEN will undertake, among other things, as follows:
 - (a) to maintain DSR Liquidity Facilities in respect of which the Available DSR Liquidity Amount, when aggregated with the Debt Service Reserve Account Balance (including the value of any Authorised Investments funded from amounts standing to the credit of the Debt Service Reserve Account) is not less than the Required Balance.
 - (b) on any day on which a drawing is made under any DSR Liquidity Facility (other than a Standby Drawing) and/or a withdrawal is made from the Debt Service Reserve Account, to certify in writing to the Security Trustee, each Authorised Credit Facility Agent (if there is such an agent appointed in respect of an Authorised Credit Facility, otherwise to the Authorised Credit Facility Provider(s)) and each Financial Guarantor (if any), the amount of the shortfall (if any) (the “**Required Balance Shortfall**”) between (i) the Required Balance and (ii) an amount equal to the sum of (x) the Available DSR Liquidity Amount and (y) the Debt Service Reserve Account Balance (including the value of any Authorised Investments funded from amounts standing to the credit of the Debt Service Reserve Account). Any such certification must also specify the Available DSR Liquidity Amount and the Debt Service Reserve Account Balance (both prior to and following any drawing on such date).
 - (c) after any drawing is made under any DSR Liquidity Facility or a withdrawal is made from the Debt Service Reserve Account, within five Business Days of the last day of each Month, until the Required Balance Shortfall is reduced to zero, to certify in writing to the Security Trustee, each Authorised Credit Facility Agent (if there is such an agent appointed in respect of an Authorised Credit Facility, otherwise to the Authorised Credit Facility Provider(s)) each Financial Guarantor (if any) and to any Rating Agency if required to do so by such Rating Agency, the Required Balance Shortfall as at the last day of the relevant Month. Details of the Required Balance Shortfall referred to in paragraph (b) above and this paragraph (c) shall be set out in the Investors Report.
 - (d) to calculate (or procure the calculation of):
 - (i) on each Covenant Calculation Date,
 - (A) the Adjusted ICR in respect of the 12-month period ending on such Covenant Calculation Date;
 - (B) the Net Debt to RAV Ratio in respect of the last day of the 12-month period ending on such Covenant Calculation Date; and
 - (C) the ENW Net Debt to RAV Ratio in respect of the last day of the 12-month period ending on such Covenant Calculation Date; and

- (ii) on each Covenant Calculation Date falling on the last day of each financial year:
 - (A) the Adjusted ICR in respect of the 12-month period commencing on the day after such Covenant Calculation Date;
 - (B) the Net Debt to RAV Ratio in respect of the last day of the 12-month period commencing on the day after such Covenant Calculation Date; and
 - (C) the ENW Net Debt to RAV Ratio in respect of the last day of the 12-month period commencing on the day after such Covenant Calculation Date.
- (e) to deliver, with each Compliance Certificate and each Investors Report, a statement confirming that it has calculated each of the ratios referred to in paragraph (d) above as at the Covenant Calculation Date immediately prior to the date of delivery of that Compliance Certificate or Investors Report, specifying the results of such calculations and providing a copy of the computations made in respect of the calculation of such ratios including summary financial forecasts supporting such calculations and key assumptions.
- (f) The financial covenants set out in paragraph (d) above shall be calculated in accordance with the Applicable Accounting Principles and tested semi-annually (in the case of the historic ratios) or annually (in the case of the forward-looking ratios) using the audited consolidated financial statements (or unaudited financial statements if audited financial statements are not available on such date) and unaudited half-yearly financial statements delivered together with the relevant Compliance Certificate or Investors Report and, in the case of forward-looking ratios, using the ENW Business Financial Model which shall be prepared on a consistent basis and the assumptions to which shall be updated by reference to the most recently available relevant information and the most recently delivered financial statements.
- (g) For any Relevant Period ending on or before the date which is 12 Months after any Issue Date, the financial covenants will be calculated using the NWEN Financing Group's annual audited consolidated financial statements and half-yearly unaudited financial statements.

Trigger Events

The CTA will also set out certain Trigger Events which will include (subject to agreed exceptions, materiality qualifications, grace periods and remedies and as more particularly provided in the CTA) the occurrence of any of the following events:

(i) *Financial Ratios*

On any date when any of the following ratios are calculated in accordance with the CTA to breach the relevant level specified below (each a “**Trigger Event Ratio Level**“) as at the most recently occurring Covenant Calculation Date:

- (a) the Net Debt to RAV Ratio in respect of any Relevant Period applicable to the relevant Covenant Calculation Date is or is estimated to be more than 85 per cent.;
- (b) the Adjusted ICR in respect of any Relevant Period applicable to the relevant Covenant Calculation Date is or is estimated to be less than 1.1 x;
- (c) the ENW Net Debt to RAV Ratio in respect of any Relevant Period applicable to the relevant Covenant Calculation Date is or is estimated to be more than 65 per cent..

(ii) *Debt Service Shortfall*

At any time there is a failure by NWEN or the Issuer to pay any amounts due under any Senior Debt within five Business Days of the same becoming due and payable.

(iii) *Liquidity for Capital Expenditure and Working Capital*

As at any Covenant Calculation Date, the aggregate of:

- (i) the NWEN Financing Group's operating cash flows (including moneys standing to the credit of the Operating Accounts) available or forecast to be available to meet Capital Expenditure and working capital requirements for the next 12 months;
- (ii) Authorised Credit Facilities (excluding DSR Liquidity Facilities) available to be drawn in the next 12 months; and
- (iii) any credit facilities of ENW as permitted in accordance with the terms of the ENW Note Programme and ENW's Licence which are available to be drawn in the next 12 months,

is less than the aggregate of:

- (a) the NWEN Financing Group's forecast Capital Expenditure projected for the next 12-month period;
- (b) the NWEN Financing Group's forecast working capital requirements projected for the next 12-month period;
- (c) the total amount of interest in respect of Senior Debt which is or is projected to fall due and payable during the next succeeding 12 month period and all amounts in respect of interest which are or are projected to fall due and payable during the next succeeding 12-month period in respect of any Permitted Financial Indebtedness which is unsecured (excluding Subordinated Debt and interest thereon); and
- (d) the amount NWEN estimates, in its reasonable opinion, is equal to the net amount payable by any member of the NWEN Financing Group to a Hedge Counterparty following the termination of a Treasury Transaction as permitted by the Hedging Policy.

(iv) *Drawdown on DSR Liquidity Facilities*

At any time, the aggregate of the Available DSR Liquidity Amount and the Debt Service Reserve Account Balance (including the value of any Authorised Investments funded from amounts standing to the credit of the Debt Service Reserve Account) is less than the Required Balance.

(v) *Enforcement Order*

An Enforcement Order is issued against ENW which would have a Material Adverse Effect if not complied with and ENW is not in the process of taking all reasonable steps to comply with such Enforcement Order.

(vi) *Circumstances leading to an Energy Administration Order*

Any indication arising from notices and/or correspondence issued by, or during correspondence with, the Regulator or any other circumstance of which ENW is aware that would reasonably be expected to lead to an application by the Regulator or the Secretary of State for an Energy Administration Order to be made in respect of ENW.

(vii) *Termination of Licence*

The giving of a notice to terminate the ENW Licence.

(viii) *Event of Default and ENW Event of Default*

- (a) An Event of Default or Potential Event of Default has occurred and is continuing.
- (b) An ENW Event of Default has occurred and is continuing.

(ix) *Audit Qualification*

The Auditors qualify their report on any audited Statutory Accounts of any member of the NWEN Financing Group in a manner which causes the financial ratios calculated in accordance with the CTA to no longer reflect the true position of the NWEN Financing Group and would, when recalculated, result in a breach of the relevant financial covenant.

(x) *Adverse Governmental Legislation*

The commencement of the final reading of draft legislation in the House of Lords or the House of Commons (whichever occurs later) of legislation relating to or impacting upon holders of statutory licences to distribute electricity if such legislation could (if enacted) reasonably be expected to lead to a breach of the financial ratios referred to in paragraph (i) above (taking into account any actions available to ENW to mitigate the same).

(xi) *Modification or Replacement of Licence*

If within six months of an announcement setting out clear proposals by the Regulator for the modification or replacement of the Licence which, if implemented, could reasonably be expected to have a Material Adverse Effect, such modification or replacement has not been implemented unless, ENW certifies in writing to the Security Trustee that in its reasonable view, the proposed modification or replacement of the Licence either:

- (a) is not likely to be implemented; or
- (b) is likely to be implemented but in such form which is not reasonably expected to have a Material Adverse Effect.

(xii) *Adverse Final Price Determination*

A final price determination by the Regulator which, in NWEN's reasonable opinion is likely to have a Material Adverse Effect (taking into account any remedies available to ENW).

(xiii) *Ratings Downgrade*

Any of the Rating Agencies downgrades the ratings given to the Unwrapped Notes or Shadow Ratings in respect of the Wrapped Notes or Wrapped Debt to Sub-Investment Grade.

(xiv) *Conduct of Business*

The Permitted Non-Appointed Business Limits are breached.

Trigger Event Consequences

Following the occurrence of a Trigger Event and at any time until (save as described below) such Trigger Event has been waived by the Security Trustee, remedied in accordance with Trigger Event Remedies (see "*Trigger Event Remedies*" below) or otherwise remedied to the satisfaction of the Security Trustee, the following consequences will result, including:

(i) *No Restricted Payments*

- (a) No Obligor may make any Restricted Payments;
- (b) NWEN shall procure that all moneys standing to the credit of the Excess Cash Ledger of the Debt Service Payment Account are retained in the Excess Cash Ledger until such time as the Trigger Event has been waived by the Security Trustee, remedied in accordance with the Trigger Event Remedies or otherwise remedied to the satisfaction of the Security Trustee, save that the Cash Manager will transfer all moneys standing to the credit of the Excess Cash Ledger to the Debt Service Ledger on the Determination Date immediately preceding any Payment Date which falls while the relevant Trigger Event is subsisting, pursuant to the cash management provisions of the CTA; and
- (c) NWEN shall procure that neither ENW nor any of its Subsidiaries makes any payments of principal or interest in respect of any Subordinated Debt or any other form of Restricted Payment other than payments of Intra-Group Debt Service Distributions to NWEN.

On any day on which a Trigger Event is waived or remedied provided that (i) such Trigger Event remains waived or remedied and (ii) no other Trigger Event has occurred and is continuing the restrictions set out in paragraphs (a) to (c) above shall cease to apply.

(ii) *Further Information and Remedial Plan*

- (a) NWEN (on behalf of the relevant member of the NWEN Financing Group) must provide such information as to the relevant Trigger Event (including its causes and effects) as may be requested by the Security Trustee.
- (b) NWEN (on behalf of the relevant member of the NWEN Financing Group) must discuss with the Security Trustee its plans for appropriate remedial action and the timetable for implementation of such action. NWEN and the Security Trustee shall negotiate in good faith to agree a remedial plan (with the agreement of the Security Trustee not to be unreasonably withheld or delayed) and NWEN must procure that any agreed remedial plan is then implemented by the relevant member of the NWEN Financing Group.

(iii) *Independent Review*

- (a) The Security Trustee may (acting reasonably at its sole discretion or on the instructions of the Majority Creditors in accordance with the STID) commission an independent review to be undertaken on the timetable stipulated by the Security Trustee. The independent review will be conducted by technical advisers to the Security Trustee appointed from time to time or such other person as the Security Trustee may decide, subject, in each case to its being indemnified and/or secured and/or prefunded to its satisfaction.
- (b) The independent review will examine the causes of the relevant Trigger Event and recommend appropriate corrective measures.
- (c) Each relevant Obligor must co-operate with the person appointed to prepare the independent review including providing access to its books and records and personnel and facilities as may be required for those purposes.

(iv) *Consultation with the Regulator*

Subject to reasonable prior notification, the Security Trustee shall be entitled to discuss the relevant Trigger Event and any Remedial Plan with the Regulator at any time if such Trigger Event relates to ENW.

(v) *Appointment of additional non-executive directors*

If the relevant Trigger Event has not otherwise been remedied or waived within six months from the date of its occurrence or such longer period as the Security Trustee and the NWEN may agree in a Remedial Plan, the Security Trustee will be entitled to procure, at the expense of NWEN, the appointment of two additional independent non-executive directors to the board of NWEN. To the extent that the relevant Trigger Event is remedied, NWEN shall be entitled to remove from its board any such appointed independent non-executive directors.

Trigger Event Remedies

At any time when the Issuer, NWEN or SPV HoldCo (as the case may be) believes that a Trigger Event has been remedied in accordance with the detailed provisions of the CTA, it must serve notice on the Security Trustee and the Cash Manager to that effect, and the Security Trustee shall respond (copying the Cash Manager) either confirming that the relevant Trigger Event has, in its opinion, been remedied or setting out its reasons for believing that such Trigger Event has not been remedied (in which case, such event will continue to be a Trigger Event until such time as the Security Trustee is satisfied that the Trigger Event has been remedied). If the Security Trustee cannot determine whether or not a Trigger Event has been remedied, it shall take such appropriate advice (at the expense of NWEN) as is required in order for it to reach a determination. The Cash Manager may assume that no Trigger Event has been remedied unless and until the Cash Manager has been notified that such Trigger Event has been remedied.

Events of Default

The CTA will contain a number of events of default (the “**Events of Default**“) which will be Events of Default under each Finance Document (other than, in respect of the NWEN Programme Hedge Counterparties, the NWEN Programme Hedging Agreements and other than in respect of any DSR Liquidity Facility Provider, its DSR Liquidity Facility Agreement and other than the Issuer/NWEN Loan Agreements and the NWEN/ENW Loan Agreement and the ENW Issuer/NWEN Loan Agreement). Subject, in some cases and where not otherwise stated below, to agreed exceptions, materiality thresholds and qualifications, reservations of law, grace periods and remedies, Events of Default will include:

- (a) non-payment by a member of the NWEN Financing Group on the due date of any amount payable by it under the Finance Documents in the manner required under the Finance Documents;
- (b) non-compliance by a member of the NWEN Financing Group in any material respect with any term of the Finance Documents;
- (c) a representation made or repeated by a member of the NWEN Financing Group in any Finance Document or in any document delivered by or on behalf of that member of the NWEN Financing Group under any Finance Document being incorrect or misleading in any material respect when made or deemed to be repeated;
- (d) an ENW Event of Default occurring;
- (e) an Insolvency Event or Insolvency Proceedings occurring in relation to any member of the NWEN Financing Group, save in certain circumstances including (i) in connection with any solvent reorganisation, liquidation or merger which has received the prior written approval of the Security

Trustee, and (ii) the winding up of any Dormant ENW Subsidiary or the Nor.Web JV Company in the manner described in the CTA;

- (f) any attachment, sequestration, distress, execution or analogous event involving sums in excess of £5,000,000 (indexed) that affects any asset(s) of any member of the NWEN Financing Group and is not discharged within 30 days;
- (g) it becoming unlawful for any member of the NWEN Financing Group to perform any of its material obligations under any Finance Document;
- (h) except as regards any indemnity relating to stamp duty which is rendered void under Section 117 of the Stamp Act 1891, any Finance Document or any material obligation purported to be contained in a Finance Document not being effective or being alleged by a member of the NWEN Financing Group to be ineffective for any reason;
- (i) any member of the NWEN Financing Group repudiating a Finance Document or any obligation purported to be contained in a Finance Document or evidencing an intention to repudiate a Finance Document or any obligation purported to be contained in a Finance Document and the absence of compliance with such obligation has a Material Adverse Effect;
- (j) the Security created by a Security Document entered into by an Obligor ceasing to be in full force and effect;
- (k) any Governmental Agency taking any step that is reasonably likely to result in the seizure, expropriation, nationalisation or acquisition of all or a majority of the issued shares of any member of the NWEN Financing Group or any of the rights or assets of any member of the NWEN Financing Group;
- (l) a member of the NWEN Financing Group failing to comply with or pay any sum due from it or them under any judgment or any order made or given by any court of competent jurisdiction when such sums exceed £5,000,000 (indexed) (or its equivalent) in aggregate at any time;
- (m) a member of the NWEN Financing Group not having the legal power to perform its material obligations under the relevant Finance Documents or to own any material asset or to carry on its business;
- (n) at any time any obligation of a member of the NWEN Financing Group under a relevant Finance Document ceasing to be legal, binding and enforceable;
- (o) any member of the NWEN Financing Group ceasing or threatening to cease to carry on the business (or any substantial part of its business) that it carries on at Signing Date or which is contemplated by the Finance Documents, other than as permitted by the Finance Documents;
- (p) any change in law occurring which would reasonably be expected to have a Material Adverse Effect;
- (q) any litigation being started against a member of the NWEN Financing Group or, in each case, its assets or revenues which in any such case would be reasonably likely to be adversely determined and which, if so determined, would have a Material Adverse Effect;
- (r) the Net Debt to RAV ratio being greater than 92 per cent.;
- (s) the Adjusted ICR being less than 1.0x;

- (t) any member of the NWEN Financing Group amending its memorandum or articles of association without the prior consent of the Security Trustee where such amendment has a Material Adverse Effect; and
- (u) the occurrence of a Change of Control.

Conditions Precedent

The conditions precedent to, *inter alia*, the establishment of the Programme, the initial issue of Notes under the Programme, the issue of Notes after the Programme Date and any increase in the nominal amount of the Programme will all be set out in a conditions precedent agreement (the “**Conditions Precedent Agreement**” or “**CP Agreement**”) as agreed between, among others, the Note Trustee, the Security Trustee and the Obligors.

Cash Management

Accounts

The CTA will require NWEN to open and maintain the following Accounts with an Account Bank:

- (a) a Debt Service Payment Account;
- (b) a Debt Service Reserve Account; and
- (c) NWEN Applicable Currency Accounts (from time to time, as required, and denominated in the relevant currencies).

The CTA will also require NWEN to maintain the following ledgers on the Debt Service Payment Account:

- (a) an Excess Cash Ledger;
- (b) a Debt Service Ledger;
- (c) an Interim Payments Ledger.

All moneys paid into the Debt Service Payment Account will be credited to the relevant ledger by the Cash Manager pursuant to the CTA with appropriate debits being made at the point at which moneys are transferred out of the Debt Service Payment Account and with appropriate debits and credits being made in respect of transfers between ledgers of such account.

The Issuer will be required to open and maintain a transaction account (the “**Issuer Transaction Account**”) with an Account Bank.

SPV HoldCo will be required to open a transaction account (the “**SPV HoldCo Transaction Account**”) with an Account Bank.

The CTA will permit ENW and each of its Subsidiaries to open and maintain Operating Accounts with certain relationship banks.

Each of the Issuer and NWEN may also open and maintain one or more Swap Collateral Accounts into which any collateral provided by an NWEN Programme Hedge Counterparty or guarantor thereof shall be deposited in accordance with the provisions of the appropriate NWEN Programme Hedging Agreement. Any amount standing to the credit of any Swap Collateral Account attributable to collateral provided by an NWEN Programme Hedge Counterparty shall be applied only to satisfy (i) the claim of such NWEN Programme Hedge Counterparty to the return of such collateral in accordance with the terms of the related NWEN Programme Hedging Agreement prior to the designation or occurrence of an Early Termination Date in respect of such NWEN Programme Hedging Agreement; or (ii) following the designation or occurrence of an Early Termination Date in respect of such NWEN Programme Hedging Agreement, the claim of the Issuer or

NWEN (as the case may be) to amounts standing to the credit of such Swap Collateral Account in discharge of the obligations of the NWEN Programme Hedge Counterparty which are supported by such collateral in accordance with the terms of the related NWEN Programme Hedging Agreement, and such amount shall be (a) in the case of any claim of NWEN, transferred by or on behalf of NWEN to the Debt Service Payment Account (and credited to the Debt Service Ledger), (b) in the case of any claim of the Issuer, transferred by or on behalf of the Issuer to the Issuer Transaction Account or such other account as the Issuer may specify, or (c) in the case of any collateral in excess of the amounts due to NWEN or the Issuer under such NWEN Programme Hedging Agreement, returned to the relevant NWEN Programme Hedge Counterparty.

Each Obligor shall open and maintain bank accounts with an Account Bank and operate such bank accounts in accordance with the Tax Deed of Covenant as and when appropriate.

Each of the above accounts (except for the Operating Accounts) together with any other bank account of any Obligor are collectively referred to as the “**Accounts**”. Each of the Accounts will initially be held with the Initial Account Bank pursuant to an Account Bank Agreement dated on or about the Signing Date. The Obligors may appoint additional account banks from time to time provided that such account banks (i) have the Minimum Short-term Rating of each relevant Rating Agency, (ii) accede to the STID and the CTA as additional Account Banks, (iii) accede to, or enter into an account bank agreement in substantially the same form as the Account Bank Agreement entered into with the Initial Account Bank, and (iv) enter into such other documentation as the Security Trustee sees fit at the relevant time. Each Obligor will agree in the CTA to comply with the Account Bank Agreements and the provisions of the CTA applying to its Accounts.

Operating Accounts

The revenues of each of ENW and its Subsidiaries will be paid into an Operating Account. The Operating Accounts shall be the principal current accounts of ENW and its Subsidiaries through which all operating income, Capital Expenditure, Taxes, certain debt service payments, and any dividends payable by ENW or any of its Subsidiaries shall be cleared (including any amounts payable by ENW pursuant to the NWEN/ENW Loan Agreement and other Permitted Financial Indebtedness of ENW and its Subsidiaries). ENW and its Subsidiaries may make transfers at any time from one Operating Account to another, in their sole discretion.

All operating expenditure of ENW and its Subsidiaries will be funded (a) through payments made directly into the Operating Accounts; (b) through drawings made by NWEN under any Authorised Credit Facility or any other Permitted Financial Indebtedness and either on-lent to ENW under the NWEN/ENW Loan Agreement or used to subscribe for share capital in ENW, as and when required and permitted by the Finance Documents; or (c) through drawings made by ENW pursuant to credit facilities made available to ENW from time to time or through the issuance of notes which represent Permitted Financial Indebtedness.

Capital Expenditure will be funded out of moneys standing to the credit of the Operating Accounts. Capital Expenditure will also be partially financed by drawings made by NWEN under the Capex Facility Agreement or other Authorised Credit Facilities and Structural Intragroup Loans and either used by NWEN to subscribe for share capital in ENW or on-lent to ENW by NWEN pursuant to the NWEN/ENW Loan Agreement.

ENW shall be permitted to withdraw from sums standing to the credit of the Operating Accounts (such funds to be distributed to NWEN by way of dividends or by way of payment due from ENW under the NWEN/ENW Loan Agreement in accordance with the terms thereof), which amounts shall be paid by NWEN to the extent required to fund any payment falling due under an Authorised Credit Facility and thereafter may be used for general corporate purposes of NWEN (subject to the provisions of the Finance Documents).

Issuer Transaction Account

On each Payment Date, the Issuer Profit Amount (or a portion thereof), to the extent outstanding in respect of the relevant Issuer Financial Year, will be paid into and accrued in the Issuer Transaction Account.

Debt Service Payment Account

On each Issue Date, the Issuer shall apply the proceeds of any Notes issued under the Programme in advancing loans to NWEN under an Issuer/NWEN Loan Agreement.

The Cash Manager shall ensure that, on or around the Programme Date, in accordance with the Settlement and Acknowledgement Deed, the proceeds of all Financial Indebtedness raised on or around the Programme Date together with all Intra-Group Debt Service Distributions received by NWEN on or around the Programme Date (together, the “**PD Amounts**“) shall be paid into the Debt Service Payment Account and credited to the Debt Service Ledger. The PD Amounts shall, promptly upon being credited to the Debt Service Payment Account, be applied in accordance with the Settlement and Acknowledgement Deed, towards (i) the making of an advance to ENW pursuant to the NWEN/ENW Loan Agreement and (ii) the repayment of the Acquisition Debt on or around the Programme Date.

On each Issue Date after the Programme Date, NWEN shall apply the proceeds of any Notes on-lent to it by the Issuer by way of an Issuer/NWEN Loan Agreement for the general corporate purposes of the NWEN Financing Group.

Excess Cash Ledger

The CTA will provide that the Cash Manager will credit the Excess Cash Ledger with the following amounts (together, “**Excess Cash**“):

- (a) on each Payment Date, any amounts of Excess Funds standing to the credit of the Debt Service Ledger following the payment of the Permitted Payments in accordance with the Payment Priorities on such Payment Date; and
- (b) at any time, any amounts permitted (in accordance with, *inter alia*, the terms of the CTA) to be drawn down by NWEN under any Authorised Credit Facility, to the extent that such amounts are not required to be applied towards (a) repayment of the Acquisition Debt, or (b) making a loan to ENW pursuant to the NWEN/ENW Loan Agreement or subscribing for shares in ENW.

Subject to satisfaction of the Restricted Payments Conditions, moneys standing to the credit of the Excess Cash Ledger will be available for application towards making Restricted Payments on any Business Day other than a day falling during a Determination Restricted Period.

On each Determination Date, amounts standing to the credit of the Excess Cash Ledger will be transferred to the Debt Service Ledger in advance of the determination to be made by the Cash Manager on that Determination Date.

Debt Service Ledger

The CTA will provide that the Cash Manager will credit the Debt Service Ledger with:

- (a) any Intra-Group Debt Service Distributions received by NWEN from ENW or any other member of the ENW Group;
- (b) any amounts transferred by NWEN from a Swap Collateral Account in the manner described above (see “*Accounts*“);
- (c) any amounts transferred from the Debt Service Reserve Account (see “*Determination Date Transfers from the Debt Service Reserve Account*” below);
- (d) any amounts drawn under any DSR Liquidity Facility Agreement (except for any Standby Drawings) (see “*Determination Date DSR Liquidity Facility Drawings*” below);
- (e) all amounts (if any) transferred from the Excess Cash Ledger on a Determination Date;

- (f) any interest that accrues on the Accounts and (after purchasing Sterling) on the Applicable Currency Accounts and any Income from Authorised Investments made out of amounts standing to the credit of the Accounts on each Determination Date and any amounts representing Income which are transferred to the Debt Service Payment Account from the Debt Service Reserve Account;
- (g) any payment made by another Obligor pursuant to the guarantee under the Security Agreement; and
- (h) any other amount received into the Debt Service Payment Account and in respect of which the Cash Manager is not otherwise obliged to credit such amount to another ledger.

Amounts standing to the credit of the Debt Service Ledger may not be applied in any circumstances in respect of any Restricted Payments and, prior to and during a Standstill, may only be applied on or around each Payment Date (or prior to such Payment Date where this is expressly provided for under the Finance Documents) in respect of the Permitted Payments in accordance with the Payment Priorities or in respect of any payment obligations for which provision is made pursuant to the Payment Priorities, on such days as are expressly contemplated by the relevant Finance Documents. Following the termination of a Standstill (other than following the waiver or remedy of the Event of Default giving rise to the Standstill), amounts standing to the credit of the Debt Service Ledger may only be applied on any day in respect of the Permitted Payments in accordance with the Payment Priorities, as described below (see below “*Cash Management during a Standstill Period*”).

Interim Payments Ledger

The CTA will provide that the Cash Manager will credit the Interim Payments Ledger with amounts retained in the Debt Service Payment Account pursuant to paragraph (ix) of the Payment Priorities. Amounts standing to the credit of the Interim Payments Ledger may only be applied in respect of miscellaneous payment obligations of the Issuer or NWEN (other than those already provided for in the Payment Priorities) arising from time to time from one Payment Date until the next following Payment Date.

Cash Management Side Letter

In order to facilitate the discharge by NWEN on behalf of the Issuer of certain payment obligations of the Issuer pursuant to the Payment Priorities and to facilitate certain cashflows relating to the Issuer Hedging Agreements, the Issuer and NWEN, among others, have entered into the Cash Management Side Letter pursuant to which, amongst other things, the Issuer will (i) direct NWEN to make certain payments otherwise owed by NWEN to the Issuer under the Issuer/NWEN Loan Agreements and/or any Issuer/NWEN B2B Hedging Agreement, to certain external creditors of the Issuer and/or, as the case may be, to certain relevant Issuer Hedge Counterparties, and (ii) direct each relevant Issuer Hedge Counterparty to make certain payments otherwise owed by such Issuer Hedge Counterparty to the Issuer directly to NWEN.

Issuer Hedging Agreements

The Issuer may only enter into an Issuer Hedging Agreement to the extent that the Issuer also enters into a corresponding Issuer/NWEN B2B Hedging Agreement with NWEN in connection therewith unless it has obtained the prior written consent of the Standstill Cash Manager.

Permitted Payments and Payment Priorities

The CTA will provide that, subject to “*Disapplication of Payment Priorities*” below, on each Payment Date, moneys credited to the Debt Service Ledger (excluding any Unpaid Provisioned Amounts) and any net amounts paid or due and payable to NWEN under any Interest Rate Hedging Agreement or Index-Linked Hedging Agreement on such Payment Date (such amounts, “**Hedging Income**”) shall be applied by the Cash Manager in the following order for the purpose of enabling the following payments (“**Permitted Payments**”) to be made in the following order of priority (the “**Payment Priorities**”) without double counting (*provided that*, (a) in accordance with the Cash Management Side Letter, any amounts applied by NWEN in directly

discharging an obligation of the Issuer (in a particular currency) (other than in respect of an Issuer Hedging Agreement in circumstances where an Issuer/NWEN B2B Hedging Agreement has been entered into) shall be treated as having simultaneously discharged NWEN's corresponding obligation to pay on such Payment Date to the Issuer (in the same such currency) facility fees, interest, principal, indemnity amounts and other sums due to the Issuer under each Issuer/NWEN Loan Agreement; (b) in accordance with the Cash Management Side Letter, any amounts applied by NWEN in directly discharging an obligation of the Issuer under an Issuer Hedging Agreement, in circumstances where an Issuer/NWEN B2B Hedging Agreement has been entered into, shall be treated as simultaneously having discharged NWEN's corresponding obligation to pay on such Payment Date to the Issuer any amounts payable to the Issuer under the corresponding Issuer/NWEN B2B Hedging Agreement; and (c) the payment of any Issuer Profit Amount under the Issuer/NWEN Loan Agreements shall (to the extent not paid in full in respect of any Issuer Financial Year) be paid at paragraph (iv) and shall be transferred to the Issuer Transaction Account):

- (i) *first*, pro rata, according to the respective amounts thereof in or towards satisfaction of the remuneration, costs and expenses of and any other amounts due and payable by the Issuer or NWEN (as applicable) to the Security Trustee and any Note Trustee in accordance with the Finance Documents, or towards provision towards any such remuneration, costs and/or expenses which are due to become due and payable prior to the next following Payment Date;
- (ii) *second*, pro rata, according to the respective amounts thereof in or towards satisfaction of: (a) the remuneration, costs and expenses of each Agent, each Account Bank under the Account Bank Agreements, each DSR Liquidity Facility Provider under the relevant DSR Liquidity Facility Agreement (but excluding amounts payable to each DSR Liquidity Facility Provider pursuant to paragraph (iii) below), each Authorised Credit Facility Agent and the Standstill Cash Manager, in each case due and payable by NWEN or the Issuer (as applicable); (b) the remuneration, costs and expenses of and fees of any Financial Guarantor pursuant to the relevant G&R Deed and the relevant Financial Guarantee Fee Letter due and payable by any Obligor; and (c) any administration or similar costs, fees or expenses in respect of maintaining the corporate existence of each of the Obligors (including compliance with any filing or similar obligations required by law) and any auditors fees due and payable by any Obligor, or, in the case of each of (a), (b) and (c) above, towards provision towards any such remuneration, costs, fees and/or expenses which are due to become due and payable prior to the next following Payment Date;
- (iii) *third*, pro rata according to the respective amounts thereof, in or towards satisfaction of all amounts of fees, interest and principal (other than any Subordinated Liquidity Facility Amounts) due or overdue by NWEN to each DSR Liquidity Facility Provider under the relevant DSR Liquidity Facility Agreement, or by NWEN towards provision towards any such fees, interest and/or principal which are due to become due and payable prior to the next following Payment Date;
- (iv) *fourth*, pro rata according to the respective amounts thereof, in or towards satisfaction of: (a) all amounts of interest, recurring fees and commitment commissions due or overdue in respect of the Senior Debt (other than any Subordinated Coupon Amounts and Subordinated Authorised Loan Amounts) and the ENW Issuer/NWEN Loan Agreement; (b) all scheduled amounts due and payable to each NWEN Programme Hedge Counterparty under any Interest Rate Hedging Agreement with the Issuer or NWEN (as applicable)(other than amounts falling in paragraph (v) below); (c) to the extent not already paid pursuant to (b) above, all scheduled amounts (other than any indexation accretion amount in respect of principal) due and payable to each NWEN Programme Hedge Counterparty under any Index-Linked Hedging Agreement entered into by the Issuer or NWEN (as applicable) (other than amounts falling in paragraph (v) below); (d) all scheduled amounts (other than principal exchange amounts or other amounts in respect of principal) due and payable to each NWEN Programme Hedge

Counterparty under any Currency Hedging Agreement with the Issuer or NWEN (as applicable) in respect of Senior Debt; (e) all amounts of underwriting commissions due or overdue by NWEN or the Issuer (as applicable) in respect of Senior Debt; (f) all reimbursement sums (if any) due and payable by NWEN or the Issuer (as applicable) to each Financial Guarantor under the relevant G&R Deed in respect of payments of interest on any Wrapped Debt guaranteed by such Financial Guarantor and (g) to the extent not already paid in full in respect of any Issuer Financial Year, the Issuer Profit Amount pursuant to the Issuer/NWEN Loan Agreements, or, in respect of each of (a) to (f) (but not (g)) above, towards provision towards any such amounts as specified above which are due to become due and payable prior to the next following Payment Date;

- (v) *fifth*, pro rata according to the respective amounts thereof, in or towards satisfaction of: (a) all amounts of principal due or overdue in respect of Senior Debt and the ENW Issuer/NWEN Loan Agreement; (b) any unscheduled amounts (including termination amounts) due and payable to each NWEN Programme Hedge Counterparty under any Interest Rate Hedging Agreement with the Issuer or NWEN (as applicable) except to the extent required to be paid at paragraph (x) below; (c) any unscheduled amounts (including termination amounts) and any indexation accretion amount in respect of principal, in each case due and payable to any NWEN Programme Hedge Counterparty under any Index-Linked Hedging Agreement with the Issuer or NWEN (as applicable) (except to the extent required to be paid at paragraph (x) below); (d) all principal exchange amounts due and payable to each NWEN Programme Hedge Counterparty under any Currency Hedging Agreement with the Issuer or NWEN (as applicable) in respect of Senior Debt; (e) any termination amounts or other unscheduled sums due and payable to each NWEN Programme Hedge Counterparty under any Currency Hedging Agreement with the Issuer or NWEN (as applicable) in respect of Senior Debt (except to the extent required to be paid at paragraph (x) below); and (f) all reimbursement sums (if any) due and payable to each Financial Guarantor under the relevant G&R Deed in respect of payments of principal on any Wrapped Debt guaranteed by such Financial Guarantor, or, in respect of each of (a) to (f) above, towards provision towards any such amounts as specified above which are due to become due and payable prior to the next following Payment Date;
- (vi) *sixth*, in or towards satisfaction of any Make Whole Amount due and payable on the Senior Debt, or towards provision towards any such amounts which are due to become due and payable prior to the next following Payment Date;
- (vii) *seventh*, pro rata according to the respective amounts thereof, in or towards satisfaction of all Subordinated Coupon Amounts due or overdue in respect of any Notes, or towards provision towards any such amounts which are due to become due and payable prior to the next following Payment Date;
- (viii) *eighth*, in payment to the Debt Service Reserve Account until the aggregate of the Available DSR Liquidity Amount and the Debt Service Reserve Account Balance (including the value of any Authorised Investments funded from amounts standing to the credit of the Debt Service Reserve Account) is equal to the Required Balance on the relevant Payment Date;
- (ix) *ninth*, an amount to be retained in the Debt Service Payment Account (credited to the Interim Payments Ledger) such that, following such application to the Interim Payments Ledger pursuant to this paragraph (ix), the balance of the Interim Payments Ledger is equal to £50,000;
- (x) *tenth*, pro rata according to the respective amounts thereof, in or towards satisfaction of any termination payment due or overdue to an NWEN Programme Hedge Counterparty under any NWEN Programme Hedging Agreement which arises as a result of a default by such NWEN Programme Hedge Counterparty or as a result of a downgrade in the credit rating of such NWEN Programme Hedge Counterparty (other than any amount attributable to any premium or other up-front payment

paid to NWEN or the Issuer to enter into a transaction to replace an NWEN Programme Hedging Agreement (in whole or in part)) which shall be applied first in payment of amounts due to the NWEN Programme Hedge Counterparty in respect of that NWEN Programme Hedging Agreement);

- (xi) *eleventh*, pro rata according to the respective amounts thereof, in or towards satisfaction of: (a) Subordinated Coupon Amounts and all due or overdue Subordinated Liquidity Facility Amounts under any DSR Liquidity Facility Agreements; (b) Subordinated Coupon Amounts and Subordinated Authorised Loan Amounts due or overdue to each Authorised Credit Facility Provider under the relevant Authorised Credit Facility; (c) any other indemnified amounts due or overdue to each Financial Guarantor under the relevant G&R Deed in respect of any Wrapped Debt guaranteed by such Financial Guarantor; and (d) any amounts due and payable or overdue in respect of Senior Debt and the ENW Issuer/NWEN Loan Agreement not referred to in other sub-paragraphs of the Payment Priorities, or, in respect of each of (a) to (d) above, towards provision towards any such amounts as specified above which are due to become due and payable prior to the next following Payment Date; and
- (xii) *twelfth*, (to the extent required in the Common Terms Agreement) the balance shall remain in the Debt Service Payment Account.

In respect of any payment obligations for which provision is made pursuant to the above Payment Priorities, such amounts so provisioned shall be retained on the Debt Service Ledger of the Debt Service Payment Account until such time as the relevant provisioned amount is required in order to discharge the relevant payment obligation, in accordance with the relevant Finance Documents.

If, after making all payments required to be made pursuant to paragraphs (i) to (xi) of the Payment Priorities on each respective Payment Date, there are amounts standing to the credit of the Debt Service Payment Account after deducting from such calculation any amounts to be retained, provisioned or reserved in the Debt Service Payment Account pursuant to paragraphs (i), (ii), (iii), (iv), (v), (vi), (vii), (ix) and (xi) (such remaining amounts being “**Excess Funds**”), such Excess Funds will (as described above) be transferred to the Excess Cash Ledger of the Debt Service Payment Account and may be treated and applied by NWEN as available distributions (subject to the Restricted Payment Conditions being satisfied).

In the event that, on a Payment Date, the Cash Manager has made provision to pay amounts set out in the Payment Priorities which are due to become due and payable at a time after such Payment Date but prior to the next following Payment Date, the Cash Manager shall retain such provisioned amounts in the Debt Service Ledger until such time as such amounts become due and payable to the relevant creditor in accordance with the applicable Finance Document. At such time, the Cash Manager shall apply the relevant amount so provisioned in respect of such payment obligation in payment to the relevant creditor in accordance with the terms of the Finance Document relating thereto. Any payment so made by the Cash Manager shall constitute a valid discharge of the relevant payment obligation to such creditor in accordance with the relevant Finance Document as if such payment had been made pursuant to the Payment Priorities on the Payment Date on which such provision was made.

With respect to the period from the Programme Date until the first Payment Date thereafter, NWEN may provide, as at the Programme Date, in the Debt Service Ledger, for any amounts in the Payment Priorities which are due to become due and payable during such time, which amounts may be applied by the Cash Manager in accordance with the preceding paragraph (and in accordance with the Payment Priorities).

To the extent that:

- (a) the Cash Manager proposes to pay an amount set out in the Payment Priorities in respect of which the Cash Manager has made provision for future payment; and

- (b) the amount so provisioned is insufficient to discharge the relevant payment obligation in full (other than by reason of there being insufficient funds available to the Cash Manager on the relevant Determination Date in order to make the relevant provisioning in full in accordance with the Payment Priorities) (the amount of any such shortfall being a “**Provisioning Shortfall**”),

the Cash Manager may apply the following amounts, to the extent available, in respect of such Provisioning Shortfall (and such amounts shall be applied in the following order):

- (i) any funds standing to the credit of the Excess Cash Ledger;
- (ii) any surplus funds of NWEN standing to the credit of the Debt Service Ledger (and not otherwise provisioned or reserved in respect of any Obligor payment obligation under the Payment Priorities) up to the amount of the Provisioning Shortfall (as reduced using amounts specified in paragraph (i) above);
- (iii) for amounts under (i) to (iv) of the Payment Priorities only, any amounts standing to the credit of the Debt Service Reserve Account up to the amount of the Provisioning Shortfall (as reduced using amounts specified in paragraphs (i) and (ii) above);
- (iv) for amounts under (i) to (iv) of the Payment Priorities only, any amounts available to NWEN to be drawn pursuant to any DSR Liquidity Facility up to the amount of the Provisioning Shortfall (as reduced using amounts specified in paragraphs (i), (ii) and (iii) above).

To the extent that:

- (a) the Cash Manager proposes to pay an amount set out in the Payment Priorities in respect of which the Cash Manager has made provision for future payment; and
- (b) the amount so provisioned is more than sufficient to discharge the relevant payment obligation in full so that there is excess provision made, (the amount of any such excess being a “**Provisioning Excess**”),

such Provisioning Excess shall be retained on the Debt Service Ledger for application to the Payment Priorities on the next following Payment Date.

If and to the extent that a Secured Creditor receives any amount pursuant to the Payment Priorities, such amount shall discharge the Issuer, SPV HoldCo or NWEN (as applicable) from its obligation as principal debtor to make payment of such amount to the Secured Creditor pursuant to the relevant Finance Document.

Until such time as a Standstill Period commences, all amounts payable on any Payment Date shall be paid (or provisioning made in respect thereof) strictly in the order provided for in the Payment Priorities, to the intent that no amounts falling to be paid under any item may be paid (or provided for) until such time as the amounts falling to be paid on the same date or earlier under each preceding item have been paid (or provided for) in full.

A description of the cash management arrangements which apply during a Standstill Period are described in the section “*Cash Management during a Standstill Period*”.

Disapplication of Payment Priorities

The Payment Priorities will not apply to (a) the PD Amounts which shall be applied on or around the Programme Date in accordance with the Settlement and Acknowledgement Deed; (b) the proceeds of any further borrowing of Permitted Financial Indebtedness by any Obligor which are required by the terms of such borrowing to be applied (i) by way of loan to ENW pursuant to the NWEN/ENW Loan Agreement, or (ii) in repayment or prepayment of, or in servicing, any then existing Financial Indebtedness of any Obligor,

together with any other payments required to be made in connection with such repayments, prepayment, servicing or loan to ENW, whether such other payments are met by application of the proceeds of the Permitted Financial Indebtedness or otherwise, in each case, to the extent permitted by the CTA; or (c) any return of collateral or premium or up front payment in relation to an NWEN Hedging Agreement and/or an Issuer Hedging Agreement contemplated in paragraph (x) of the Payment Priorities above which will be paid to the relevant NWEN Programme Hedge Counterparty directly.

Currency exposure of NWEN or the Issuer in connection with the Programme may be accommodated under the Programme either (i) by NWEN entering into an NWEN Hedging Agreement with an NWEN Hedge Counterparty, (ii) by the Issuer entering into an Issuer Hedging Agreement with an Issuer Hedge Counterparty in circumstances where the Issuer has entered into an Issuer/NWEN B2B Hedging Agreement with NWEN on terms which mirror the corresponding Issuer Hedging Agreement, and (iii) where NWEN has any unhedged currency liability, in each case as further described below:

- (a) where the relevant currency liability has been hedged through a Currency Hedging Agreement entered into between NWEN and an NWEN Hedge Counterparty, sums paid to NWEN under such Currency Hedging Agreement (excluding any initial currency exchange) against payment by NWEN to the relevant NWEN Hedge Counterparty shall be credited to the relevant currency Account to be opened and maintained by NWEN (each, an “**NWEN Applicable Currency Account**“ or “**Applicable Currency Account**“);
- (b) where the relevant currency exposure has been hedged through a Currency Hedging Agreement entered into between the Issuer and an Issuer Hedge Counterparty (in circumstances where an Issuer/NWEN B2B Hedging Agreement has been entered into), sums paid to the Issuer under such Currency Hedging Agreement (excluding any initial currency exchange) against payment by or on behalf of the Issuer to the relevant Issuer Hedge Counterparty pursuant to such Currency Hedging Agreement, shall be credited to the relevant NWEN Applicable Currency Account (in discharge of the Issuer’s payment obligations under the corresponding Issuer/NWEN B2B Hedging Agreement entered into in connection with such Issuer Hedging Agreement) or such other account as the Issuer may direct; and
- (c) with respect to any unhedged currency liability, the Cash Manager shall, subject to the restrictions specified further below, withdraw from the Debt Service Ledger of the Debt Service Payment Account on each Determination Date an amount equal to the aggregate Required Sterling Amounts (as defined and determined below) and shall apply such amount in the purchase of the relevant foreign currency or currencies at the relevant spot rate(s) of exchange of the relevant Account Bank (or other bank or financial institution whose short-term unsecured debt obligations are rated A-1 or P-1 by at least two of the Rating Agencies (such bank or financial institution, an “**Authorised Forex Bank**“)) on such Determination Date and shall direct the relevant Account Bank or relevant Authorised Forex Bank to credit the amounts so purchased to the relevant NWEN Applicable Currency Account.

With respect to any Currency Hedging Agreement entered into in order to hedge a relevant currency liability of NWEN or the Issuer, any initial currency exchange shall be carried out between the parties to each respective Currency Hedging Agreement in accordance with the terms of such Currency Hedging Agreement. Thereafter, payments with respect to any relevant currency liability and any Currency Hedging Agreement entered into in connection therewith shall be made in accordance with, *inter alia*, the cash management provisions of the Common Terms Agreement.

The Payment Priorities shall not apply to any withdrawals from the Applicable Currency Accounts, such withdrawals being permitted to be made only: (a) either (i) with respect to hedged currency exposure, in the discharge of the relevant currency obligation of the Issuer or NWEN hedged pursuant to the relevant Issuer

Hedging Agreement or NWEN Hedging Agreement in respect of any foreign currency received under a Currency Hedging Agreement (which relevant currency obligation includes, in the case of amounts received by the Issuer under an Issuer Hedging Agreement in circumstances where an Issuer/NWEN B2B Hedging Agreement has been entered into, the Issuer's payment obligations under any such Issuer/NWEN B2B Hedging Agreement) or (ii) with respect to unhedged currency exposure, in the discharge of the relevant unhedged currency obligation of NWEN in respect of the currency purchased from the relevant Account Bank or relevant Authorised Forex Bank, and payments made from the relevant Applicable Currency Account in accordance with this paragraph shall be treated as having discharged the Issuer's or NWEN's obligations to pay the applicable hedged or unhedged currency liability under the relevant paragraph of the Payment Priorities; or (b) with respect to any income or interest earned on or in respect of any amounts credited to the Applicable Currency Accounts, in the purchase of the equivalent amount in sterling from the relevant Account Bank or an Authorised Forex Bank, such sterling amounts (net of any commissions) to be credited to the Debt Service Ledger of the Debt Service Payment Account. If on any Determination Date, the aggregate amount of moneys credited to the Debt Service Ledger (after (i) making any permitted transfers from the Excess Cash Ledger to the Debt Service Ledger, (ii) taking into account any receipts due from any Issuer Hedge Counterparty under any Issuer Hedging Agreement and from any NWEN Hedge Counterparty under any NWEN Hedging Agreement on the relevant Payment Date (or received since the previous Payment Date) (such amounts being the "**Expected Hedge Receipts**") and, (iii) making any permitted transfers to the Debt Service Ledger from the Debt Service Reserve Account, as described in "*Determination Date Transfers from the Debt Service Reserve Account*", and (iv) taking into account any Liquidity Drawing, as described in the section "*Determination Date Transfers to the Debt Service Payment Account*" below, but (v) before debiting the Required Sterling Amounts from the Debt Service Ledger of the Debt Service Payment Account) will be insufficient to discharge in full on the following Payment Date in accordance with the Payment Priorities each of the liabilities ranking in the Payment Priorities *pari passu* with any unhedged currency liability (determined by reference to its Required Sterling Amount), the Required Sterling Amount that may be withdrawn from the Debt Service Ledger in accordance with, and for the purpose set out in the foregoing provisions of this section in respect of such unhedged currency liability shall be the *pro rata* sterling amount that would otherwise be applied pursuant to the Payment Priorities in the discharge of such unhedged currency liability (at its Required Sterling Amount) on such Payment Date.

Determination Date Transfers to the Debt Service Payment Account

The Cash Manager shall, on the date which is five Business Days prior to each Payment Date (such date, a "**Determination Date**"), determine (on the basis of the Investor Report and such other information that it has received under the Finance Documents before such date (including as specified above)) whether the aggregate amount of (i) moneys then credited to the Debt Service Ledger of the Debt Service Payment Account (after the transfer on that date to the Debt Service Ledger of the balance of the amounts standing to the credit of the Excess Cash Ledger but excluding any Unpaid Provisioned Amounts) and (ii) any Expected Hedge Receipts (the "**Available Funds**") is at least equal to the Scheduled Debt Service for such Payment Date. The "**Scheduled Debt Service**" for a Payment Date is equal to the aggregate of all amounts referred to in paragraphs (i) to (xi) inclusive of the Payment Priorities (other than principal repayments on the Senior Debt) which fall due and payable on such Payment Date (or, as the case may be, in the Payment Period starting on such Payment Date)) taking account of the aggregate Required Sterling Amounts in place of the relevant unhedged foreign currency liabilities as described below. The Cash Manager shall, in making any such determination with respect to each unhedged currency liability due to be paid on such Payment Date (or, as the case may be, in the Payment Period starting on such Payment Date) pursuant to the Payment Priorities, calculate by reference to the relevant Account Bank's or the relevant Authorised Forex Bank's spot rate of exchange on the Determination Date, the amount of sterling (grossed up for any commissions) (the

“**Required Sterling Amount**”) required to purchase the relevant foreign currency as is equal to such unhedged currency liability.

To the extent that:

- (a) the Cash Manager has made the relevant determinations on the Determination Date, taking into account, amongst other items, any amounts payable or receivable under any NWEN Programme Hedging Agreements; and
- (b) any such NWEN Programme Hedging Agreement terminates between such Determination Date and the immediately following Payment Date (a “**Terminated Hedge**”),

the Cash Manager shall, to the extent possible prior to such Payment Date, recalculate the determinations made on the Determination Date immediately prior to the termination of such NWEN Programme Hedging Agreement, in order to reflect (i) the recalculation of the amount of Available Funds for such Payment Date, and (ii) in respect of each payment obligation previously hedged by the Terminated Hedge, the calculation of the amount to be applied in respect of the previously hedged payment obligation, including, in the case of a Terminated Hedge which is a Currency Hedging Agreement, to calculate the Required Sterling Amount in respect of such payment obligation and make the necessary spot rate currency exchange as described above in order to effect payment to the relevant Secured Creditor in the required currency.

Determination Date Transfers from the Debt Service Reserve Account

If the balance of the Available Funds is less than the amount of Scheduled Debt Service falling due on the following Payment Date (or, as the case may be, in the Payment Period starting on such Payment Date) in respect of paragraphs (i) to- (iv) inclusive of the Payment Priorities, then the Cash Manager shall promptly procure the transfer to the Debt Service Payment Account from the Debt Service Reserve Account Balance of an amount equal to such shortfall. For the avoidance of doubt, no amounts may be transferred in the manner described above to the extent that to do so would cause the balance of the Debt Service Reserve Account to fall below zero.

Determination Date DSR Liquidity Facility Drawings

If after making any required transfers from the Debt Service Reserve Account in the manner described in “*Determination Date Transfers from the Debt Service Reserve Account*” above, the balance of the Available Funds together with such amount transferred from the Debt Service Reserve Account would be insufficient to pay any Scheduled Debt Service falling due for payment on the following Payment Date (or, as the case may be, in the Payment Period starting on such Payment Date) in respect of paragraphs (i) to (iv) inclusive of the Payment Priorities, the Cash Manager shall promptly request NWEN to make a drawing under any DSR Liquidity Facility on the following Payment Date in an amount equal to such shortfall (such drawing being a “**Liquidity Drawing**”). Subject to the terms of the relevant DSR Liquidity Facility, such Liquidity Drawing will either be made from the relevant DSR Liquidity Facility Provider directly or from amounts drawn down into the Debt Service Reserve Account pursuant to a Standby Drawing.

If NWEN notifies the Cash Manager that the full amount equal to the shortfall described above is not available to be drawn down under any DSR Liquidity Facility, the Cash Manager shall immediately notify the Issuer, the Security Trustee and the Senior DIG Representative(s) of the relevant Senior Debt which will not be able to be paid in full on the following Payment Date.

Until such time as a Standstill Period commences, all amounts payable on any Payment Date (or, as the case may be, during the Payment Period starting on any such Payment Date) shall be paid (or amounts reserved in respect thereof) strictly in the order provided for in the Payment Priorities, with the intent that no amounts falling to be paid under any paragraph may be paid until such time as the amounts falling to be paid on the

same date or earlier under each preceding paragraph have been paid (or amounts reserved in respect thereof) in full.

Authorised Investments

NWEN and the Issuer will be permitted, in accordance with the CTA, to invest amounts standing to the credit of any of the Accounts in certain Authorised Investments.

Cash Management during a Standstill Period

The cash management arrangements described above shall continue to apply until an Event of Default and/or the commencement of a Standstill Period. The CTA will provide that, from the commencement of a Standstill Period, ENW shall cease to be the Cash Manager and will be replaced by the Standstill Cash Manager, who shall act in such capacity from such time until instructed otherwise by the Security Trustee, and who shall assume control of the Accounts and, shall apply all amounts received into the Debt Service Ledger on each Payment Date in accordance with the Payment Priorities until the revenue that is available is insufficient to meet all of the payments falling to be made on such Payment Date in any paragraph of the Payment Priorities (the “**Shortfall Paragraph**”) and shall, in respect of those categories of payment falling within the Shortfall Paragraph, divide the remaining amounts of revenue *pro rata* (by reference to the amounts then due and payable or which are due to become due and payable prior to the next Payment Date) between those amounts. Throughout the Standstill Period, any payments falling to be made within a category of payment falling within a Shortfall Paragraph shall be discharged in part to the extent of a payment of the *pro-rata* share of that payment so calculated and no payments falling in a category which (in accordance with the Payment Priorities) falls after a Shortfall Paragraph shall be made (and the balance of the payments not made shall remain outstanding).

Throughout the Standstill Period, no transfers of Excess Funds from the Debt Service Ledger to the Excess Cash Ledger, as above, shall be made.

Where a Standstill Period has terminated following the waiver or remedy of the Event of Default which gave rise to such Standstill, the Standstill Cash Manager may cease to act as cash manager in accordance with the Common Terms Agreement and ENW as Cash Manager may resume operation of the cash management provisions set out in the CTA, in each case provided that the Security Trustee has consented to such cessation by the Standstill Cash Manager and resumption by ENW as Cash Manager.

Following the termination of a Standstill Period other than pursuant to a waiver or remedy of the Event of Default giving rise to such Standstill, the appointment of the Standstill Cash Manager shall continue save that following the termination of a Standstill Period in the manner specified above, the Standstill Cash Manager shall, if so instructed by the Security Trustee, act as agent of the Security Trustee under the STID in accordance with the provisions of, *inter alia*, the CTA and the STID.

Following termination of a Standstill (other than following the waiver or remedy of the Event of Default giving rise to such Standstill), the Security Trustee shall apply, or shall direct the Standstill Cash Manager to apply (as the case may be), all sums received by it or available for distribution in the manner and order set out in the Payment Priorities save that paragraph (viii) shall be deleted for these purposes. Following any Enforcement Action, the Security Trustee (or the Standstill Cash Manager at the direction of the Security Trustee, as the case may be) will apply the net proceeds of such Enforcement Action and funds held by the Issuer and NWEN in accordance with the Payment Priorities.

The Standstill Cash Manager will benefit from certain indemnities and a number of disclaimers and protective provisions set out in the CTA. The Standstill Cash Manager may resign on giving not fewer than 30 days’ notice to each Obligor, provided that a substitute Standstill Cash Manager has been appointed. Each Obligor

may terminate the appointment of the Standstill Cash Manager upon 30 days' notice provided that a substitute Standstill Cash Manager has been duly appointed.

Security Agreement

Security

Each Obligor will, on or before the Signing Date, enter into the Security Documents with the Security Trustee pursuant to which NWEN, SPV HoldCo and the Issuer will guarantee (with effect from the Programme Date) all present and future obligations and liabilities of each other under the Finance Documents, in each case to the Security Trustee for itself and as security trustee for the Secured Creditors. Each Obligor will also (with effect from the Programme Date) secure its property, assets and undertakings to the Security Trustee for itself and as trustee for the Secured Creditors. ENW will not provide any guarantee in respect of the Programme, and none of ENW, the ENW Issuer or any of ENW's Subsidiaries will give any security in respect of the Programme. Each guarantee will be callable following an Event of Default without the need for the Senior Debt to be accelerated, in order to cash collateralise the Senior Debt. The Security Agreement will, to the extent applicable, incorporate the provisions of the CTA and be subject to the STID.

The security constituted by the Security Agreement will be expressed to include, amongst other things:

- (i) first fixed charges on and from the Programme Date over:
 - (a) the ordinary shares in each of the Obligors (except for SPV HoldCo) and the ordinary shares in ENW;
 - (b) each Obligor's right, title and interest from time to time in and to any real property interests currently owned by it or acquired after the date of the Security Documents and the proceeds of disposal of any land;
 - (c) all present and future plant, machinery, office equipment, computers, vehicles and other chattels (subject to below);
 - (d) all moneys (including interest) from time to time standing to the credit of each Obligor's present and future Accounts and the debts represented thereby;
 - (e) any Intellectual Property Rights owned by each Obligor (to the extent capable of being charged) (excluding information technology licence agreements);
 - (f) any present and future goodwill and any present and future uncalled capital and rights in relation to such uncalled capital of any Obligor;
 - (g) each Authorised Investment of any Obligor;
 - (h) all shares of any person owned by the Obligor including all dividends, interest and other moneys payable in respect thereof and all other rights related thereto;
 - (i) all present and future book and other debts and all other moneys due and owing to any Obligor;
 - (j) all benefit in respect of any insurances (other than motor insurance, employer's liability insurance, directors and officers liability insurance, pension fund trustee liability insurance and any other third party liability insurance) taken out by any Obligor and all claims and returns of premia in respect thereof;
 - (k) all benefit under each of the Finance Documents and any other contracts or agreements to which any obligor is a party from time to time;

- (i) the benefit from all present and future licences, permissions, consents and authorisations held in connection with its business and the right to recover and receive all compensation which may at any time become payable in respect thereof; and
- (ii) an assignment on and from the Programme Date of each Obligor's present and future rights in respect of any insurances taken out by it and in respect of its right, title and interest from time to time in and to the proceeds of any insurance policies (other than motor insurance, employer's liability insurance, public/product liability insurance, directors and officers liability insurance, pension fund trustee liability insurance and any other third party liability insurance);
- (iii) an assignment on and from the Programme Date of each Obligor's right, title and interest from time to time in respect of each Finance Document and any other document or agreement to which such Obligor is a party from time to time;
- (iv) an assignment on and from the Programme Date of each Obligor's rights to any damages, compensation, remuneration, profit, rent or income which it may derive, be awarded or be entitled to in respect of all information technology licence agreements not subject to the first fixed charge under (c) above; and
- (v) a first floating charge effective on and from the Programme Date over the whole of the undertaking, property, assets and rights whatsoever and wheresoever present and future of each Obligor other than any property, assets or rights at any time otherwise effectively charged or assigned by way of fixed charge or assignment.

The security will be held on trust by the Security Trustee for itself and on behalf of the Secured Creditors in accordance with and subject to the terms of the STID.

Prior to an Event of Default, notices of assignment will only be given to the relevant counterparty to the Finance Documents that are assigned and to the insurers (if any) with whom NWEN has taken out insurance in accordance with the requirements of the CTA (subject to certain agreed exceptions). Following an Event of Default, notices of assignment will be given in respect of any assigned contract or asset as requested by the Security Trustee upon the instructions of the Majority Creditors pursuant to the terms of the STID.

Financial Guarantor Documents

The Financial Guarantees of Wrapped Notes

The form of Financial Guarantee to be issued by each Financial Guarantor (upon fulfilment or waiver by the relevant Financial Guarantors of certain conditions precedent to be contained in the CP Agreement) in respect of the issue of any Wrapped Notes issued under the Programme will be set out in a supplement to this Prospectus.

Upon an early redemption of the relevant Wrapped Notes or an acceleration of the relevant Wrapped Notes, each relevant Financial Guarantor's obligations will continue to be to pay the Guaranteed Amounts as they fall Due for Payment (each as defined in the relevant Financial Guarantee) on each Payment Date. None of the Financial Guarantors will be obliged under any circumstances to accelerate payment under its Financial Guarantees. However, if it does so, it may do so in its absolute discretion in whole or in part, and the amount payable by the relevant Financial Guarantor will be the Outstanding Principal Amount (or *pro rata* amount that has become due and payable) of the relevant Wrapped Notes together with accrued interest (excluding always the FG Excepted Amounts). Any amounts due in excess of such Outstanding Principal Amount (and any accrued interest thereon) will not be guaranteed by any Financial Guarantor under any of the Financial Guarantees.

The Note Trustee as party to each of the Financial Guarantees will have the right to enforce the terms of such Financial Guarantees, and any right of any other person to do so is expressly excluded.

Guarantee and Reimbursement Deeds

On each relevant Issue Date of Wrapped Notes, the Issuer, SPV HoldCo and NWEN will enter into a guarantee and reimbursement deed (each a “**G&R Deed**”) with the relevant Financial Guarantor, pursuant to which the Issuer will be obliged, *inter alia*, to reimburse such Financial Guarantor in respect of the payments made by it under the relevant Financial Guarantee and to pay, *inter alia*, any fees and expenses of such Financial Guarantor in respect of the provision of the relevant Financial Guarantee. Insofar as a Financial Guarantor makes payment under the relevant Financial Guarantee in respect of Guaranteed Amounts (as defined in such Financial Guarantee), it will be subrogated to the present and future rights of the relevant Wrapped Noteholders against the Issuer in respect of any payments made.

Additional Resources Available

Capex Facility Agreement

The Capex Facility Providers will make available to NWEN the Capex Facility pursuant to the Capex Facility Agreement which comprises a £130,000,000 million revolving credit facility towards financing or refinancing Capital Expenditure of the NWEN Financing Group. The termination date of the Capex Facility is 30 June 2012. The Capex Facility will constitute Senior Debt.

The Events of Default under the CTA will apply under the Capex Facility Agreement (see the section “*Common Terms Agreement*” above).

The ability a Capex Facility Provider to accelerate any sums owing to it under the Capex Facility Agreement upon or following the occurrence of an Event of Default thereunder is subject to the STID.

Additional Authorised Credit Facilities

NWEN will be permitted to incur Financial Indebtedness under Authorised Credit Facilities with an Authorised Credit Facility Provider subject to any applicable financial covenants and the terms of the CTA and the STID. Each Authorised Credit Facility Provider will be party to, or will accede to, the CTA and the STID. On or around the Signing Date, each Capex Facility Provider will be an Authorised Credit Facility Provider.

The Authorised Credit Facilities constitute Senior Debt.

The Events of Default under the CTA will apply under the Authorised Credit Facilities (see the section “*Common Terms Agreement*” above).

The ability of an Authorised Credit Facility Provider to accelerate any sums owing to it under an Authorised Credit Facility Agreement upon or following the occurrence of an Event of Default thereunder is subject to the STID.

DSR Liquidity Facilities

DSR Liquidity Facilities and Liquidity Drawings

NWEN will agree to procure that on any day, the aggregate of (i) the Available DSR Liquidity Amount and (ii) the Debt Service Reserve Account Balance (including any Authorised Investments funded from amounts standing to the credit of the Debt Service Reserve Account), is at least equal to the Required Balance.

On the Signing Date, NWEN will not enter into any DSR Liquidity Facility Agreements and the Required Balance will be solely funded via the Debt Service Reserve Account. However, subject to and in accordance with the terms of the Finance Documents, NWEN may establish DSR Liquidity Facilities in connection with

the issue of further Notes and other Senior Debt issued or incurred. Unless otherwise agreed by NWEN and the Security Trustee, liquidity in respect of the Senior Debt will be applied in making payments in respect of Senior Debt only.

Under the terms of each DSR Liquidity Facility Agreement, the DSR Liquidity Facility Providers will provide a 364-day commitment in an aggregate amount specified in the DSR Liquidity Facility Agreement which will be available for drawing by way of Liquidity Drawings in the circumstances described above in the section “*Cash Management - Debt Service Payment Account - Determination Date DSR Liquidity Facility Drawings*”.

The principal amount of any Liquidity Drawing shall be repayable to the relevant DSR Liquidity Facility Provider on the immediately following Payment Date subject to and in accordance with the Payment Priorities. Each DSR Liquidity Facility Agreement will provide that amounts repaid by NWEN may be redrawn.

DSR Liquidity Facility Providers and Standby Drawings

Each DSR Liquidity Facility Provider:

- (a) will be a Secured Creditor pursuant to the STID and the Security Agreement; and
- (b) must have the Minimum Short-term Rating.

Each DSR Liquidity Facility Provider may be replaced at any time provided that such DSR Liquidity Facility Provider is replaced by a bank with the Minimum Short-term Rating and all amounts outstanding to such DSR Liquidity Facility Provider are repaid in full.

Each DSR Liquidity Facility Agreement will provide that if (i) at any time the rating of the relevant DSR Liquidity Facility Provider falls below the Minimum Short-term Rating, or (ii) the relevant DSR Liquidity Facility Provider does not agree to renew its commitment under such DSR Liquidity Facility prior to the expiry of the relevant availability period, NWEN will:

- (a) use all reasonable endeavours to replace the relevant DSR Liquidity Facility Provider with a party having the Minimum Short-term Rating; and
- (b) (if a replacement is not made within the relevant time period specified in the relevant DSR Liquidity Facility Agreement) be entitled to require such DSR Liquidity Facility Provider to pay into the Debt Service Reserve Account the full amount of the relevant DSR Liquidity Facility Provider’s undrawn commitment (a “**Standby Drawing**”).

A Standby Drawing will generally be repayable only (a) on the legal maturity of the Senior Debt, (b) if the relevant DSR Liquidity Facility Provider is rated with the Minimum Short-term Rating, (c) if NWEN obtains a replacement DSR Liquidity Facility from a liquidity facility provider with the Minimum Short-term Rating, or (d) if confirmation is received from each of the Rating Agencies that either (i) the terms of a replacement DSR Liquidity Facility or (ii) the absence of any such facility, in each case, as applicable will not lead to a Shadow Ratings downgrade of the Wrapped Notes or a credit ratings downgrade of the Unwrapped Notes from the relevant Rating Agencies.

Interest and Fees under DSR Liquidity Facilities

Interest will accrue on any drawing (including a Standby Drawing) made under the DSR Liquidity Facility provided by a DSR Liquidity Facility Provider at a reference rate per annum plus a margin and mandatory costs. Under the DSR Liquidity Facility Agreements, NWEN will also, in certain circumstances, be required to pay additional amounts if (i) a withholding or deduction for or on account of tax is imposed on payments made by it to the relevant DSR Liquidity Facility Provider; or (ii) if the relevant DSR Liquidity Facility

Provider suffers an increase in the cost of providing the relevant DSR Liquidity Facility. NWEN will pay certain agency, participation and renewal fees as well as a commitment fee which will accrue on any undrawn portion of the commitments under any DSR Liquidity Facilities.

Upon the enforcement of the Security pursuant to the STID, all indebtedness outstanding under any DSR Liquidity Facility (other than Subordinated Liquidity Facility Amounts) will rank in priority to the Senior Debt.

Hedging

The Hedging Policy provides that the NWEN Financing Group must enter into Hedging Agreements in accordance with the Hedging Policy, the only members of the NWEN Financing Group that may enter into Hedging Agreements are NWEN, the Issuer, ENW and the ENW Issuer provided that subject to “*Cash Management Issuer Hedging Agreements*” above, the Issuer may only enter into an Issuer Hedging Agreement to the extent that the Issuer also enters into a corresponding Issuer/NWEN B2B Hedging Agreement with NWEN in connection with such Issuer Hedging Agreement unless it has obtained the prior written consent of the Standstill Cash Manager.

Neither NWEN nor the Issuer will enter into any NWEN Programme Hedging Agreements in conjunction with the first issuance of Notes under the Programme.

Hedging Policy

The Hedging Policy provides, *inter alia*, that:

- (a) The purpose of the Hedging Policy is to limit the NWEN Financing Group’s exposure to fluctuations in interest rates, currencies and inflation and for the avoidance of doubt, does not include any hedging entered into in the ordinary course of business for non-speculative purposes.
- (b) The NWEN Financing Group will not enter into Treasury Transactions for the purpose of speculation, but rather only to manage risk inherent in its business or funding on a prudent basis (which shall include any pre-hedging if thought appropriate).
- (c) Any change to the Hedging Policy will be subject to NWEN board approval and may only be made with the approval of the Security Trustee, acting reasonably.
- (d) Subject to such approvals, the Hedging Policy will be reviewed from time to time by the NWEN Financing Group and amended (subject to Entrenched Rights and Reserved Matters and in accordance with the provisions of the STID) as appropriate in line with market developments, regulatory developments, and Good Industry Practice.
- (e) The NWEN Financing Group will hedge at least 85 per cent. of the Total NWEN Financing Group Debt for the current period to the next Periodic Review and at least 75 per cent. of the Total NWEN Financing Group Debt in the next period to the subsequent Periodic Review (on a rolling basis) into either index-linked obligations or fixed rate obligations. This figure will be kept under review with respect to market conditions and developments in regulatory methodology and practice. Any proposal to change these figures will be approved by the NWEN board and be subject to the approval of the Security Trustee acting reasonably.
- (f) Interest rate risk on floating rate liabilities will be hedged through a combination of cash balances and instruments such as interest rate swaps entered into by the NWEN Financing Group.
- (g) The regulatory framework, under which revenues are indexed, exposes the NWEN Financing Group to inflation risk and, as a result, the NWEN Financing Group may raise debt through index-linked instruments where it is cost-effective.

- (h) The Issuer, NWEN, ENW and the ENW Issuer, and any other member of the NWEN Financing Group may only enter into Treasury Transactions with counterparties whose short-term or long-term, as applicable, unsecured and unsubordinated debt obligations are assigned a rating by the Rating Agencies which is no less than the Minimum Rating applicable to each Rating Agency as specified in the Hedging Policy or where a guarantee is provided by an institution which meets the same criteria.
- (i) Each NWEN Programme Hedging Agreement must include a provision entitling NWEN or the Issuer (as the case may be) to terminate if there is a downgrade of the Hedge Counterparty (or guarantor thereof) from such minimum required ratings or certain specified long-term ratings and the relevant NWEN Programme Hedge Counterparty has failed to post collateral or take such other steps as may be stipulated in the relevant NWEN Programme Hedging Agreement pursuant to the relevant provisions relating to counterparty credit risk in accordance with the current criteria of S&P and Fitch.
- (j) Members of the NWEN Financing Group may only enter into Treasury Transactions with a counterparty who:
 - (i) will be and remain a company resident for tax purposes in the United Kingdom; or
 - (ii) will hold and continue to hold the contract comprising the relevant Hedging Agreement solely for the purposes of a trade or part of a trade carried on by it in the United Kingdom through a branch or agency in respect of which it is chargeable to United Kingdom corporation tax; or
 - (iii) will be and remain resident for tax purposes in a jurisdiction with which the United Kingdom has a double taxation convention which makes provision, whether for relief or otherwise, in relation to interest,
 and, in each case, will be and remain a party to the relevant Hedging Agreement otherwise than as an agent or nominee for another person.
- (k) NWEN Programme Hedging Agreements must be entered into in the form, as amended by the parties thereto, of the 1992 ISDA Master Agreement (Multicurrency - Cross Border) or any successor thereto published by ISDA unless otherwise agreed by the Security Trustee.

Termination

NWEN or the Issuer (as the case may be) will be entitled to terminate an NWEN Programme Hedging Agreement in certain circumstances (including a failure to pay by the NWEN Programme Hedge Counterparty, certain insolvency events affecting the NWEN Programme Hedge Counterparty and certain rating downgrade events affecting the NWEN Programme Hedge Counterparty or any guarantor as the case may be where the relevant NWEN Programme Hedge Counterparty has failed to post collateral or take such other steps as may be stipulated in the relevant NWEN Programme Hedging Agreement pursuant to the relevant provisions relating to counterparty credit risk in accordance with the current criteria of S&P and Fitch).

An NWEN Programme Hedge Counterparty will be entitled to terminate an NWEN Programme Hedging Agreement only in certain limited circumstances being:

- (a) a failure by NWEN or the Issuer (as the case may be) to make payment when due under the relevant Hedging Agreement;
- (b) certain insolvency events affecting NWEN or the Issuer (as the case may be);
- (c) illegality affecting the relevant NWEN Programme Hedging Agreement;
- (d) certain tax events as outlined in the relevant NWEN Programme Agreement; or

- (e) termination of a Standstill Period (except by virtue of remedy or waiver of the relevant Event of Default giving rise to the Standstill Period).

In certain limited circumstances, an NWEN Programme Hedge Counterparty will also be entitled to terminate a Hedging Agreement as a result of a change in the Licence or the regulatory status of ENW.

Other Finance Documents

Account Bank Agreement

Pursuant to the Account Bank Agreement entered into on the Signing Date, the Initial Account Bank will agree to hold the Accounts and operate them in accordance with the instructions of the Cash Manager or Standstill Cash Manager or the Security Trustee (as applicable). The Cash Manager or Standstill Cash Manager (as applicable) will manage the Accounts on behalf of the Obligors pursuant to the CTA (see the section “*Cash Management*” above). The Obligors may appoint additional Account Banks from time to time provided that such account banks (i) have the Minimum Short-term Rating of each Rating Agency, (ii) accede to the STID and CTA as additional Account Banks, (iii) enter into an account bank agreement in substantially the same form as the Account Bank Agreements, and (iv) enter into such other documentation as the Security Trustee sees fit at the relevant time.

Tax Deed of Covenant

Pursuant to the Tax Deed of Covenant, each of the Tax Covenantors will make representations and give warranties and covenants with a view to protecting the Issuer and the other members of the NWEN Financing Group from certain tax-related risks including with respect to VAT grouping, secondary tax liabilities, group tax matters (including group relief and transfer pricing), and the Issuer’s status as a securitisation company for the purposes of the Taxation of Securitisation Companies Regulations 2006, as amended. “Tax Covenantors” for these purposes includes NWEN and ENW. The Tax Deed of Covenant will be governed by English law.

CHAPTER 14

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which (subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Final Terms (as defined below) and, save for the italicised paragraphs) will be incorporated by reference into each Global Note (as defined below) representing Notes (as defined below) in bearer form, Notes in definitive form (if any) issued in exchange for the Global Note(s) representing Notes in bearer form, each Global Note Certificate (as defined below) representing Notes in registered form and each Individual Note Certificate (as defined below) representing Notes in registered form (only if such incorporation by reference is permitted by the rules of the relevant stock exchange and agreed by the Issuer). If such incorporation by reference is not so permitted and agreed, each Note in bearer form and each Individual Note Certificate representing Notes in registered form will have endorsed thereon or attached thereto such text (as so completed, amended, varied or supplemented). Further information with respect to each Tranche (as defined below) of Notes will be given in the relevant Final Terms which will provide for those aspects of these Conditions which are applicable to such Tranche (as defined below) of Notes, including, in the case of Wrapped Notes (as defined below), the form of Financial Guarantee (as defined below) and endorsement and, in the case of all Sub-Classes (as defined below), the terms of the relevant advance under the relevant Issuer/NWEN Loan Agreement. If a Financial Guarantor (as defined below) is appointed in relation to any Sub-Class of Wrapped Notes (as specified in the relevant Final Terms) a supplement to this Prospectus will be produced providing such information about such Financial Guarantor as may be required by the rules of the UK Listing Authority, the London Stock Exchange or such other listing authority or stock exchange on which such Notes are admitted to listing and/or trading. References in the Conditions to “Notes” are, as the context requires, references to the Notes of one Sub-Class only, not to all Notes which may be issued under the Programme.

ENW Capital Finance plc (the “**Issuer**”) has established a guaranteed note programme (the “**Programme**”) for the issuance of up to £1,000,000,000 guaranteed notes (the “**Notes**”), guaranteed by North West Electricity Networks Limited (“**NWEN**”) and NWEN Group Limited (“**SPV HoldCo**”). Notes issued under the Programme on a particular issue date (as specified in the relevant Final Terms, an “**Issue Date**”) comprise a Series (a “**Series**”), and each Series comprises one or more Classes of Notes (each a “**Class**”). Each Class may comprise one or more sub-classes (each a “**Sub-Class**”) and each Sub-Class comprising one or more tranches (each a “**Tranche**”).

Notes which have the benefit of a Financial Guarantee will be designated as “**Wrapped Notes**”. The Notes which do not have the benefit of a Financial Guarantee will be designated as “**Unwrapped Notes**”. Each Sub-Class will be denominated in different currencies or will have different interest rates, maturity dates or other terms. Notes of any Class may be zero coupon notes (“**Zero Coupon Notes**”), fixed rate notes (“**Fixed Rate Notes**”), floating rate notes (“**Floating Rate Notes**”), index-linked notes (“**Indexed Notes**”), dual currency notes (“**Dual Currency Notes**”), partly paid notes (“**Partly Paid Notes**”) or instalment notes (“**Instalment Notes**”) depending on the method of calculating interest payable in respect of such Notes and may be denominated in sterling, euro, U.S. dollars or in other currencies subject to compliance with applicable law.

The terms and conditions applicable to any particular Sub-Class of Notes are these terms and conditions (“**Conditions**”) as supplemented, amended and/or replaced by a set of final terms in relation to such Sub-Class (a “**Final Terms**”). In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

The Final Terms for the Notes (or the relevant provisions thereof) supplement these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with

these Conditions, replace or modify these Conditions for the purposes of the Notes. Reference to “Final Terms” are to the Final Terms (or the relevant provisions thereof) applicable to the Notes.

The Notes are subject to and have the benefit of a trust deed dated on or about the Signing Date (as defined below) (as amended, supplemented, restated and/or novated from time to time, the “**Note Trust Deed**”) between the Issuer, any Financial Guarantor (as defined below) acceding thereto and The Law Debenture Trust Corporation p.l.c. as trustee (the “**Note Trustee**”, which expression includes the trustee or trustees for the time being of the Note Trust Deed).

The Wrapped Notes alone will be unconditionally and irrevocably guaranteed as to scheduled payments of principal and interest (as adjusted for indexation, as applicable, but excluding any additional amounts relating to premium, prepayment or acceleration, accelerated amounts and amounts (if any), in the case of Fixed Rate Notes or Index-Linked Notes (other than deferred interest), representing step-up fees at a rate specified in the relevant Final Terms in excess of the initial Coupons on such Sub-Class as at the relevant Issue Date, and, in the case of Floating Rate Notes, representing step-up fees at a rate specified in the relevant Final Terms in excess of the initial Margin on the Coupons on such Sub-Class as at the relevant Issue Date (in each case, the “**Subordinated Step-up Fee Amounts**”), all such amounts being the “**FG Excepted Amounts**”) pursuant to a financial guarantee (each, a “**Financial Guarantee**”) to be issued by financial guarantors (each a “**Financial Guarantor**”) in conjunction with the issue of each Sub-Class of Notes.

The Notes have the benefit (to the extent applicable) of an agency agreement (as amended, supplemented and/or restated from time to time, the “**Agency Agreement**”) dated on or about the Signing Date (to which the Issuer, the Note Trustee, the Principal Paying Agent and the other Paying Agents and the Transfer Agents and the Registrar are party). As used herein, each of “**Principal Paying Agent**”, “**Paying Agents**”, “**Agent Bank**”, “**Transfer Agents**” and/or “**Registrar**” means, in relation to the Notes, the persons specified in the Agency Agreement as the Principal Paying Agent, Paying Agents, Agent Bank, Transfer Agents and/or Registrar, respectively, and, in each case, any successor to such person in such capacity (together, the “**Agents**” and each, an “**Agent**”). The Notes may also have the benefit (to the extent applicable) of a calculation agency agreement (in the form or substantially in the form of Schedule 1 to the Agency Agreement, the “**Calculation Agency Agreement**”) between, *inter alios*, the Issuer and any calculation agent appointed by the Issuer as calculation agent (the “**Calculation Agent**”).

On or about 17 July 2009 (the “**Signing Date**”), the Issuer entered into a security agreement (the “**Security Agreement**”) with The Law Debenture Trust Corporation p.l.c. as security trustee (the “**Security Trustee**”), pursuant to which the Issuer granted (with effect from the Programme Date) certain fixed and floating charge security (the “**Issuer Security**”) to the Security Trustee (for itself and on behalf of the Secured Creditors), the Note Trustee (for itself and on behalf of the Noteholders), the Noteholders, each Financial Guarantor, the Issuer, the DSR Liquidity Facility Provider, the NWEN Programme Hedge Counterparties, the DSR Liquidity Facility Agent, the Capex Facility Agent, each Capex Facility Provider, each Authorised Credit Facility Provider (as defined below), each Agent, each Account Bank, the Cash Manager (other than when the Cash Manager is ENW), the Standstill Cash Manager and any Additional Secured Creditors (each as defined therein) on or from 21 July 2009 (the “**Programme Date**”) (together with the Security Trustee, the “**Secured Creditors**”). On or about the Signing Date, the Issuer entered into a security trust and intercreditor deed (the “**STID**”) with, among others, the Security Trustee and other Secured Creditors and pursuant to which the Security Trustee holds the Security on trust for itself and the other Secured Creditors and the Secured Creditors agree to certain intercreditor arrangements.

On or about the Signing Date, the Issuer entered into a dealership agreement (as amended, supplemented and/or restated from time to time, the “**Dealership Agreement**”) with the dealers named therein (the “**Dealers**”) in respect of the Programme, pursuant to which any of the Dealers may enter into a subscription agreement in relation to each Sub-Class of Notes issued by the Issuer, and pursuant to which the Dealers have

agreed to subscribe for the relevant Sub-Class of Notes. In any subscription agreement relating to a Sub-Class of Notes, any of the Dealers may agree to procure subscribers to subscribe for the relevant Sub-Class of Notes.

On or about the Signing Date, the Issuer entered into a common terms agreement (the “**Common Terms Agreement**”) with, among others, the Security Trustee, pursuant to which the Issuer makes certain representations, warranties and covenants and which sets out in Schedule 6 (*Events of Default*) thereof the Events of Default (as defined therein) in relation to the Notes.

NWEN has entered or may enter into certain revolving credit facilities (together, the “**Authorised Credit Facilities**”) with certain lenders (the “**Authorised Credit Facility Providers**”), pursuant to which the Authorised Credit Facility Providers agree to make certain facilities available to NWEN for the purpose of funding certain working capital, capital expenditure and other expenses of the NWEN Financing Group.

NWEN may enter into certain currency, index linked and interest rate hedging agreements (together, the “**NWEN Hedging Agreements**”) with certain hedge counterparties (together the “**NWEN Hedge Counterparties**”) and the Issuer may enter into certain array, index-linked and interest rate hedging agreements (together, the “**Issuer Hedging Agreements**” and, together with the NWEN Hedging Agreements, the “**NWEN Programme Hedging Agreements**”) with certain hedge counterparties (together, the “**Issuer Hedge Counterparties**” and, together with the NWEN Hedge Counterparties, the “**NWEN Programme Hedge Counterparties**”), in each case in respect of certain Sub-Classes of Notes and Authorised Credit Facilities, pursuant to which the Issuer or NWEN, as the case may be, hedges certain of its currency, index linked and interest rate obligations.

The Note Trust Deed, the Notes (including the applicable Final Terms), the Security Agreement, the STID, (the STID (including any Accession Memorandum thereto), the Security Agreement and any other documentation executed on or around the Signing Date or thereafter by any of the Obligors evidencing or creating security over any asset of an Obligor to a Secured Creditor under the Finance Documents being together the “**Security Documents**”), the Financial Guarantee Fee Letters, the Agency Agreement, any DSR Liquidity Facility Agreements, the NWEN Hedging Agreements and any other credit support or collateral documentation entered into in connection therewith or pursuant thereto, the Capex Facility Agreement, the Issuer/NWEN Loan Agreements, the NWEN/ENW Loan Agreement, the G&R Deeds, the Financial Guarantees, the CTA, the CP Agreement, any other Authorised Credit Facilities, the Master Definitions Agreement between, among others, the Issuer and the Security Trustee dated on or about the Signing Date (as amended, supplemented and/or restated from time to time, the “**Master Definitions Agreement**”), the account bank agreement between, among others, the initial account bank, the Issuer and the Security Trustee and any other account bank agreement entered into by an Obligor from time to time in accordance with the Finance Documents (each an “**Account Bank Agreement**”), the Tax Deed of Covenant, any indemnification deed between, among others, a Financial Guarantor and the Dealers (an “**Indemnification Deed**”) and any related security document (each, if not defined above, as defined below or in the Master Definitions Agreement) are, in relation to the Notes, (and together with each other agreement or instrument between NWEN or the Issuer (as applicable) and an Additional Secured Creditor designated as a Finance Document by NWEN or the Issuer (as applicable), the Security Trustee and such Additional Secured Creditor in the Accession Memorandum of such Additional Secured Creditor in each case as such document may be amended, varied, supplemented, novated or replaced as permitted in the Common Terms Agreement) together referred to as the “**Finance Documents**”.

Terms not defined in these Conditions have the meaning set out in the Master Definitions Agreement.

Certain statements in these Conditions are summaries of the detailed provisions appearing on the face of the Notes (which expression shall include the body thereof), in the relevant Final Terms or in the Note Trust

Deed, the Security Agreement or the STID. Copies of, *inter alia*, the Finance Documents are available for inspection during normal business hours at the specified offices of the Principal Paying Agent (in the case of bearer Notes) or the specified offices of the Transfer Agents and the Registrar (in the case of registered Notes), save that, if the Note is an unlisted Note of any Sub-Class, the applicable Final Terms will only be obtainable by a Noteholder holding one or more unlisted Notes of that Sub-Class and such Noteholder must provide evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity.

The Noteholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Note Trust Deed, the STID, the Security Agreement, the CTA and the relevant Final Terms and to have notice of those provisions of the Agency Agreement and the other Finance Documents applicable to them.

Any reference in these Conditions to a matter being “**specified**” means as the same may be specified in the relevant Final Terms.

1 **Form, Denomination and Title**

(a) *Form and Denomination*

The Notes are in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) as specified in the applicable Final Terms and serially numbered in the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination. Registered Notes may not be exchanged for Bearer Notes but Bearer Notes may be exchanged for Registered Notes. References in these Conditions to “Notes” include Bearer Notes and Registered Notes and all Sub-Classes, Classes, Tranches and Series.

Interest-bearing Bearer Notes are issued with Coupons (as defined below) (and, where appropriate, a Talon, (as defined below)) attached. After all the Coupons attached to, or issued in respect of, any Bearer Note which was issued with a Talon have matured, a coupon sheet comprising further Coupons (other than Coupons which would be void) and (if necessary) one further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent. Any Bearer Note the principal amount of which is redeemable in instalments may be issued with one or more Receipts (as defined below) (and, where appropriate, a Talon) attached thereto. After all the Receipts attached to, or issued in respect of, any Instalment Note which was issued with a Talon have matured, a receipt sheet comprising further Receipts (other than Receipts which would be void) and (if necessary) a further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent.

(b) *Title*

Title to Bearer Notes, Coupons, Receipts and Talons (if any) passes by delivery. Title to Registered Notes passes by registration in the register (the “**Register**”), which the Issuer shall procure to be kept by the Registrar.

In these Conditions, subject as provided below, each “**Noteholder**” (in relation to a Note, Coupon, Receipt or Talon), “**holder**” and “**Holder**” means (i) in relation to a Bearer Note, the bearer of any Bearer Note, Coupon, Receipt or Talon (as the case may be) and (ii) in relation to Registered Note, the person in whose name a Registered Note is registered, as the case may be. The expressions “**Noteholder**”, “**holder**” and “**Holder**” include the holders of instalment receipts (the “**Receipts**”), appertaining to the payment of principal by instalments (if any) attached to such Notes in bearer form (the “**Receiptholders**”), the holders of the coupons (the “**Coupons**”) (if any) appertaining to interest bearing Notes in bearer form (the “**Couponholders**”), and the expression Couponholders or

Receiptholders includes the holders of talons in relation to Coupons or Receipts as applicable (the “Talons”) (if any) for further coupons or receipts, as applicable, attached to such Notes (the “Talonholders”).

The bearer of any Bearer Note, Coupon, Receipt or Talon and the registered holder of any Registered Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the relevant Note, or its theft or loss or any express or constructive notice of any claim by any other person of any interest therein other than, in the case of a Registered Note, a duly executed transfer of such Note in the form endorsed on the Note Certificate in respect thereof) and no person will be liable for so treating the holder.

Notes which are represented by a Global Note or Global Note Certificate 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 or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Note Trustee.

(c) *Fungible Issues of Notes comprising a Sub-Class*

A Sub-Class of Notes may comprise a number of issues in addition to the initial Tranche of such Sub-Class, each of which will be issued on identical terms save for the first Interest Payment Date, the Issue Date and the Issue Price. Such further issues of the same Sub-Class will be consolidated and form a Series with the prior issues of that Sub-Class.

2 Exchanges of Bearer Notes for Registered Notes and Transfers of Registered Notes

(a) *Exchange of Notes*

Subject to Condition 2(e) (*Closed Periods*), Bearer Notes may, if so specified in the relevant Final Terms, be exchanged at the expense of the relevant Noteholder for the same aggregate principal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of the Bearer Note to be exchanged together with all unmatured Coupons, Receipts and Talons (if any) relating to it at the specified office of the Registrar or any Transfer Agent or Paying Agent. Where, however, a Bearer Note is surrendered for exchange after the Record Date (as defined below) for any payment of interest or Interest Amount (as defined below), the Coupon in respect of that payment of interest or Interest Amount need not be surrendered with it.

Registered Notes may not be exchanged for Bearer Notes.

(b) *Transfer of Registered Notes*

A Registered Note may be transferred upon the surrender of the relevant Individual Note Certificate, together with the form of transfer endorsed on it duly completed and executed, at the specified office of any Transfer Agent or the Registrar. However, a Registered Note may not be transferred unless (i) the principal amount of Registered Notes proposed to be transferred; and (ii) the principal amount of the Registered Notes proposed to be the principal amount of the balance of Registered Notes to be retained by the relevant transferor are, in each case, Specified Denominations (as specified in the relevant Final Terms). In the case of a transfer of part only of a holding of Registered Notes represented by an Individual Note Certificate, a new Individual Note Certificate in respect of the balance not transferred will be issued to the transferor within three business days (in the place of the specified office of the Transfer Agent or the Registrar) of receipt of such form of transfer.

(c) *Delivery of New Individual Note Certificates*

Each new Individual Note Certificate to be issued upon exchange of Bearer Notes or transfer of Registered Notes will, within three business days (in the place of the specified office of the Transfer Agent or the Registrar) of receipt of such request for exchange or form of transfer, be available for delivery at the specified office of the Transfer Agent or the Registrar stipulated in the request for exchange or form of transfer, or be mailed at the risk of the Noteholder entitled to the Individual Note Certificate to such address as may be specified in such request or form of transfer. For these purposes, a form of transfer or request for exchange received by the Registrar after the Record Date (as defined below) in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar until the Business Day (as defined below) following the due date for such payment.

(d) *Exchange at the Expense of Transferor Noteholder*

Registration of Notes on exchange or transfer will be effected at the expense of the transferor Noteholder by or on behalf of the Issuer, the Transfer Agent or the Registrar, and upon payment of (or the giving of such indemnity as the Transfer Agent or the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

(e) *Closed Periods*

No transfer of a Registered Note may be registered, nor any exchange of a Bearer Note for a Registered Note may occur during the period of 15 days ending on the due date for any payment of principal, interest, Interest Amount (as defined below) or Redemption Amount (as defined below) on that Note.

3 Status of Notes and Financial Guarantee

(a) *Status of the Notes*

The Notes, Coupons, Talons and Receipts (if any) are direct and unconditional obligations of the Issuer, are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Secured Creditors*) and rank *pari passu* without any preference among themselves. However, the Unwrapped Notes will not have the benefit of any Financial Guarantee.

(b) *Financial Guarantee Issued by Financial Guarantor*

This Condition 3(b) is applicable only in relation to Notes which are specified as being a Sub-Class of Wrapped Notes.

Each Sub-Class of each Class of Wrapped Notes will have the benefit of a Financial Guarantee issued by a Financial Guarantor, issued pursuant to a guarantee and reimbursement deed between, amongst others, the Issuer and a Financial Guarantor dated on or before the relevant Issue Date (as defined below) of such Notes (each a “**G&R Deed**”). Under the relevant Financial Guarantee, the relevant Financial Guarantor unconditionally and irrevocably agrees to pay to the Note Trustee all sums due and payable but unpaid by the Issuer in respect of scheduled payments of interest and principal (but excluding FG Excepted Amounts) on such Wrapped Notes, all as more particularly described in the relevant Financial Guarantee.

The terms of the relevant Financial Guarantee provide that amounts of principal on any such Notes which have become immediately due and payable (whether by virtue of acceleration, prepayment or otherwise) other than on the relevant Interest Payment Date (as defined under the Financial Guarantee) will not be treated as Guaranteed Amounts (as defined in the Financial Guarantee) which are Due for

Payment (as defined in the Financial Guarantee) under the Financial Guarantee unless the Financial Guarantor in its sole discretion elects so to do by notice in writing to the Note Trustee. The Financial Guarantor may elect to accelerate payments due under the Financial Guarantee in full or in part. All payments made by the relevant Financial Guarantor under the relevant Financial Guarantee in respect of partial acceleration shall be applied (i) to pay the Interest (as defined in the relevant Financial Guarantee) accrued but unpaid on the Principal (as defined in the relevant Financial Guarantee) of such part of the accelerated payment; and (ii) to reduce the Principal (as defined in the relevant Financial Guarantee) (or, in the case of Wrapped Notes repayable in instalments, each principal repayment instalment on a *pro rata* basis with a corresponding reduction of each amount of the Interest (as determined in the Financial Guarantee)) outstanding under the relevant Sub-Classes of Wrapped Notes. If no such election is made, the Financial Guarantor will continue to be liable to make payments in respect of the Notes pursuant to the relevant Financial Guarantee on the dates on which such payments would have been required to be made if such amounts had not become immediately due and payable.

To the extent that the early redemption price of any Notes exceeds the aggregate of the Principal Amount Outstanding of and any accrued interest outstanding on any such Notes to be redeemed (each as adjusted for indexation in accordance with Condition 7(b) (Application of the Index Ratio), if applicable), payment of such early redemption price will not be guaranteed by the Financial Guarantor under the relevant Financial Guarantee.

(c) *Status of Financial Guarantee*

This Condition 3(c) is applicable only in relation to Notes which are specified as being a Sub-Class of Wrapped Notes.

The relevant Financial Guarantee provided by the Financial Guarantor in respect of the Notes will constitute a direct, unsecured obligation of the Financial Guarantor which will rank at least *pari passu* with all other unsecured obligations of such Financial Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(d) *Security Trustee not responsible for monitoring compliance*

When granting any consent or waiver or exercising any power, trust, authority or discretion relating to or contained in the STID, the other Finance Documents or any Ancillary Documents, the Security Trustee may act in accordance with its sole discretion (where granted such right) or as directed, requested or instructed by or subject to the agreement of the Majority Creditors or, in particular cases, other specified parties and in accordance with the provisions of the STID.

The Security Trustee shall not be responsible for monitoring compliance by NWEN with any of its obligations under the Finance Documents to which it is a party except by means of receipt from NWEN of certificates of compliance which NWEN has covenanted to deliver to the Security Trustee pursuant to the provisions of the CTA and which will state *inter alia*, that no Default is outstanding. The Security Trustee shall be entitled to rely on certificates absolutely unless it is instructed otherwise by the Majority Creditors in which case it will be bound to act on such instructions in accordance with the STID. The Security Trustee is not responsible for monitoring compliance by any of the parties with their respective obligations under the Finance Documents. The Security Trustee may call for and is at liberty to accept as sufficient evidence a certificate signed by any two Authorised Signatories of any Obligor or any other party to any Finance Document to the effect that any particular dealing, transaction, step or thing is in the opinion of the persons so certifying suitable or expedient or as to any other fact or matter upon which the Security Trustee may require to be satisfied. The Security Trustee is in no way bound to call for further evidence or be responsible for any loss that may be occasioned

by acting on any such certificate although the same may contain some error or is not authentic. The Security Trustee is entitled to rely upon any certificate believed by it to be genuine and will not be liable for so acting.

In addition, each Guarantor has covenanted to provide the Security Trustee with certain additional information (as set out in Part 1 (*Information Covenants*) of Schedule 4 to the CTA). Such information may be published on a website designated by NWEN or the Issuer.

In the event the relevant website cannot be accessed for technical reasons or is non-operational or is infected by an electronic virus or function software for a period of five consecutive days, all such information set out above which would otherwise be available will be delivered to the Security Trustee in paper form for onward delivery to the Note Trustee and the Agents. Copies of such information will be available for inspection at the specified office of the Agents and the Issuer.

4 Security, Priority and Relationship with Secured Creditors

(a) *Guarantee and Security*

NWEN, SPV HoldCo and the Issuer will guarantee the obligations of each other under the Finance Documents, in each case to the Security Trustee for itself and on behalf of the Secured Creditors (including, without limitation, the Note Trustee for itself and on behalf of the Noteholders) and secures such obligations upon the whole of its property, undertaking, rights and assets. None of ENW, ENW Issuer or any of ENW's Subsidiaries will provide any security or guarantee in connection with the Programme. There is no intention to create further security for the benefit of the holders of Notes issued after the Programme Date. All Notes issued by the Issuer under the Programme and any additional creditor of the Issuer acceding to the STID will share in the security (the "Security") constituted by the Security Documents.

In these Conditions:

"Obligors" means NWEN, SPV HoldCo and the Issuer.

(b) *Relationship among Noteholders and with other Secured Creditors*

The Note Trust Deed contains provisions detailing the Note Trustee's obligations to consider the interests of the Noteholders as regards all powers, trusts and authorities, duties and discretions of the Note Trustee (except where expressly provided or otherwise referred to in Condition 16 (*Note Trustee Protections*)).

The STID provides that the Security Trustee (except in relation to its Reserved Matters and Entrenched Rights and subject to certain exceptions) will act reasonably at its sole discretion or on instructions of the Majority Creditors (including the Note Trustee as trustee for and representative of the holders of each Sub-Class of Wrapped Notes (following the occurrence of an FG Event of Default in respect of the Financial Guarantor of such Wrapped Notes which is continuing) and the holders of Unwrapped Notes) and, when so doing, the Security Trustee is not required to have regard to the interests of any Secured Creditor (including the Note Trustee as trustee for and representative of the Noteholders or any individual Noteholder) in relation to the exercise of such rights and, consequently, has no liability to the Noteholders as a consequence of so acting.

(c) *Enforceable Security*

In the event of the Security becoming enforceable as provided in the STID, the Security Trustee shall, if instructed by the Majority Creditors, enforce its rights with respect to the Security, but without any liability as to the consequence of such action and without having regard to the effect thereof on, or

being required to account for such action to, any particular Noteholder, provided that the Security Trustee shall not be obliged to take any action unless it is indemnified and/or secured and/or prefunded to its satisfaction.

(d) *Application After Enforcement*

After enforcement of the Security, the Security Trustee shall (to the extent that such funds are available) use funds standing to the credit of the Accounts (other than the Excluded Accounts) to make payments in accordance with the Payment Priorities (as set out in the CTA).

(e) *Note Trustee and Security Trustee not liable for security*

The Note Trustee and the Security Trustee will not be liable for any failure to make the usual investigations or any investigations which might be made by a security holder in relation to the property which is the subject of the Security, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the relevant Obligor to the Security, whether such defect or failure was known to the Note Trustee or the Security Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the Security created under the Security Documents whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such Security. The Note Trustee and the Security Trustee have no responsibility for the value of any such Security and/or for maintaining adequate insurance cover.

5 Issuer Covenants

So long as any of the Notes remain Outstanding, the Issuer has agreed to comply with the covenants expressed to be given by it as set out in Schedule 4 (*Covenants*) of the CTA.

The Note Trustee shall be entitled to rely absolutely on a certificate of any two Authorised Signatories of the Issuer in relation to any matter relating to such covenants and to accept without liability any such certificate as sufficient evidence of the relevant fact or matter stated in such certificate.

6 Interest and other Calculations

(a) *Interest on Fixed Rate Notes and Indexed Notes*

This Condition 6(a) is applicable only if the relevant Final Terms specify the Notes as Fixed Rate Notes or Indexed Notes.

Each Fixed Rate Note and Indexed Note bears interest on its Principal Amount Outstanding (or, if it is a Partly Paid Note, the amount paid up) and, if it is an Indexed Note, adjusted for indexation in accordance with Condition 7 (*Indexation*) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Interest Rate(s). Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

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 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 Interest Rate to: (i) in the case of Fixed Rate Notes or Indexed Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes or Indexed Notes represented by such Global Note (or if they are Partly Paid Notes, the aggregate amount paid up); or (ii) in the case of Fixed Rate Notes or Indexed 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 Relevant 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 or Indexed Note in definitive form comprises a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note or Indexed Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

(b) *Interest on Floating Rate Notes*

This Condition 6(b) is applicable only if the relevant Final Terms specifies the Notes as Floating Rate Notes.

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest on its Principal Amount Outstanding (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (a) the Specified Payment Date(s) in each year specified in the applicable Final Terms; or
- (b) if no Specified Payment Date(s) is/are expressly specified in the applicable Final Terms, each date (each such date, together with each Specified 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.

(ii) *Interest Rate(s)*

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

- (a) If “**Screen Rate Determination**” is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate applicable to the Notes for each Interest Period will be determined by the Agent Bank (or the Calculation Agent, if applicable) on the following basis:
 - (1) if the Page (as defined below) displays a rate which is a composite quotation or customarily supplied by one entity, the Agent Bank (or the Calculation Agent, if applicable) will determine the Relevant Rate (as defined in Condition 6(m) (*Definitions*));
 - (2) in any other case, the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the Relevant Rates (as defined in Condition 6(m) (*Definitions*)) which appear on the Page as of the Relevant Time (as defined in Condition 6(m) (*Definitions*)) on the relevant Interest Determination Date;

- (3) if, in the case of (1) above, such rate does not appear on that Page or, in the case of (2) above, fewer than two such rates appear on that Page or if, in either case, the Page is unavailable, the Agent Bank (or the Calculation Agent, if applicable) will:
- (A) request the principal Relevant Financial Centre office of each of the Reference Banks (as defined in Condition 6(m) (*Definitions*)) to provide a quotation of the Relevant Rate at approximately the Relevant Time on the relevant Interest Determination Date to prime banks in the Relevant Financial Centre (as defined in Condition 6(m) (*Definitions*)) interbank market (or, if appropriate, money market) in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (4) if fewer than two such quotations are provided as requested in Condition 6(b)(ii)(a)(3), the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the rates (being the rates nearest to the Relevant Rate as determined by the Agent Bank (or the Calculation Agent, if applicable)) quoted by the Reference Banks at approximately 11.00 a.m. (local time in the Relevant Financial Centre of the Relevant Currency) on the first day of the relevant Interest Period (as defined in Condition 6(m) (*Definitions*)) for loans in the Relevant Currency to leading European banks for a period equal to the relevant Interest Period and in the Representative Amount (as defined in Condition 6(m) (*Definitions*)),

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

- (b) If “**ISDA Determination**“ is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate(s) applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**“ in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Agent Bank (or the Calculation Agent, if applicable) under an interest rate swap transaction if the Agent Bank (or the Calculation Agent, if applicable) were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (1) Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (2) the Designated Maturity (as defined in the ISDA Definitions) is the Specified Duration (as defined in Condition 6(m) (*Definitions*)); and
 - (3) the relevant Reset Date (as defined in the ISDA Definitions) is either (1) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of

that Interest Period, (2) if the relevant Floating Rate Option is based on EURIBOR, the first day of that Interest Period or (3) in any other case, as specified in the relevant Final Terms.

(iii) *Calculations*

The amount of interest payable on the Floating Rate Notes (the “**Interest Amounts**“) for the relevant Interest Period shall be calculated by applying the Interest Rate to: (i) 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, if they are Partly Paid Notes, the aggregate amount paid up); or (ii) 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 Relevant 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 comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

(c) *Interest on Dual Currency Notes*

The rate or amount of interest payable in respect of Dual Currency Notes (other than Dual Currency Notes which are Zero Coupon Notes) shall be determined in the manner specified in the applicable Final Terms.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) *Minimum Interest Rate and/or Maximum Interest Rate*

If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified, as the case may be.

(f) *Rounding*

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified):

- (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up);
- (ii) all figures will be rounded to seven significant figures (with halves being rounded up); and
- (iii) all currency amounts which fall due and payable will be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes, “**unit**“ means, with respect to any currency other than euro, the lowest amount of such currency which is available as legal tender in the country of such currency and, with respect to euro, means 0.01 euro.

(g) *Business Day Convention*

If any date referred to in these Conditions or the relevant Final Terms is specified to be subject to adjustment in accordance with a business day convention and (x) if there is no numerically

corresponding day on the calendar month in which such date should occur or (y) such date would otherwise fall on a day which is not a Business Day (as defined in Condition 6(m) (*Definitions*)), then if the business day convention specified in the relevant Final Terms is:

- (i) the “**Following Business Day Convention**“, such date shall be postponed to the next day which is a Business Day;
- (ii) the “**Modified Following Business Day Convention**“, such 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 date shall be brought forward to the immediately preceding Business Day; or
- (iii) the “**Preceding Business Day Convention**“, such date shall be brought forward to the immediately preceding Business Day.

(h) *Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts*

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Agent Bank (or the Calculation Agent, if applicable) may be required to calculate any Redemption Amount or the amount of an instalment of scheduled principal (an “**Instalment Amount**“), obtain any quote or make any determination or calculation, the Agent Bank (or the Calculation Agent, if applicable) will determine the Interest Rate and calculate the amount of interest payable (the “**Interest Amounts**“) in the relevant manner as specified in this Condition 6 for the relevant Interest Period (including, for the avoidance of doubt, any applicable Index Ratio to be calculated in accordance with Condition 7(b) (*Application of the Index Ratio*), calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Redemption Amount, Principal Amount Outstanding or any Instalment Amount to be notified to, in the case of Bearer Notes, the Paying Agents or, in the case of Registered Notes, the Registrar, and, in each case, the Note Trustee, the Issuer, the Noteholders and the London Stock Exchange and each other listing authority, stock exchange and/or quotation system by which the relevant Notes have then been admitted to listing, trading and/or quotation) as soon as possible after its determination but in no event later than (i) (in case of notification to the London Stock Exchange and each other listing authority, stock exchange and/or quotation system by which the relevant Notes have then been admitted to listing, trading and/or quotation) the commencement of the relevant Interest Period, if determined prior to such time, in the case of an Interest Rate and Interest Amount; or (ii) in all other cases, the fourth Business Day after such determination. The Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Sub-Class or Tranche of Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 17 (*Notices*). If the Notes become due and payable under Condition 11 (*Events of Default*), the accrued interest and the Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated as previously provided in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made unless otherwise required by the Note Trustee. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Agent Bank (or the Calculation Agent, if applicable) or, as the case may be, by or on behalf of the Note Trustee pursuant to this

Condition 6 or Condition 7 (*Indexation*), shall (in the absence of manifest error) be final and binding upon all parties.

(i) *Accrual of Interest*

Interest will cease to accrue on each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after judgment) at the Interest Rate in the manner provided in this Condition 6 to the Relevant Date (as defined in Condition 6(m) (*Definitions*)).

(j) *Agent Bank, Calculation Agent and Reference Banks*

The Issuer will procure that there shall at all times be an Agent Bank (and a Calculation Agent, if applicable) and four Reference Banks selected by the Issuer acting through the Agent Bank (or the Calculation Agent, if applicable) with offices in the Relevant Financial Centre if provision is made for them in these Conditions applicable to this Note and for so long as it is Outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer acting through the Agent Bank (or the Calculation Agent, if applicable) will select another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. If the Agent Bank (or the Calculation Agent, if applicable) is unable or unwilling to act as such or if the Agent Bank (or the Calculation Agent, if applicable) fails duly to establish the Interest Rate for any Interest Period or to calculate the Interest Amounts or fulfil any other requirements, the Issuer will appoint (with the prior written consent of the Note Trustee) a successor to act as such in its place. The Agent Bank may not resign its duties without a successor having been appointed as aforesaid.

(k) *Determination or Calculation by Note Trustee*

If the Agent Bank (or the Calculation Agent, if applicable) does not at any time for any reason determine any Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or any other amount to be determined or calculated by it, the Note Trustee or an agent on its behalf shall (without liability for so doing) determine such Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or other amount as aforesaid at such rate or in such amount as in its absolute discretion (having regard as it shall think fit to the procedures described above, but subject to the terms of the Note Trust Deed and always subject to any Minimum Interest Rate or Maximum Interest Rate specified in the applicable Final Terms) it shall deem fair and reasonable in all the circumstances or, subject as aforesaid, apply the foregoing provisions of this Condition, with any consequential amendments, to the extent that, in its sole opinion, it can do so and in all other respects it shall do so in such manner as it shall, in its absolute discretion, deem fair and reasonable in the circumstances, and each such determination or calculation shall be deemed to have been made by the Agent Bank (or the Calculation Agent, if applicable).

(l) *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 6 (*Interest and other Calculations*) whether by the Principal Paying Agent, the Agent Bank (or the Calculation Agent, if applicable) or, if applicable, any calculation agent, shall (in the absence of wilful default, negligence, bad faith or manifest error) be binding on the Issuer, NWEN and SPV HoldCo, the Agent Bank, the Note Trustee, the Principal Paying Agent, the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, NWEN and SPV HoldCo, the Note Trustee, the Noteholders, the Receiptholders or the Couponholders shall attach to the

Principal Paying Agent, the Agent Bank or, if applicable, any calculation agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(m) *Definitions*

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below.

“**Broken Amount**“ means the amount specified as such in the relevant Final Terms.

“**Business Day**“ means:

- (i) in relation to any sum payable in euro, a TARGET 2 Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in London and each (if any) additional city or cities specified in the relevant Final Terms; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the principal financial centre of the Relevant Currency (which in the case of a payment in U.S. dollars shall be New York) and in each (if any) additional city or cities specified in the relevant Final Terms.

“**Day Count Fraction**“ means, in respect of the calculation of an amount of interest on any Note for any period of time (whether or not constituting an Interest Period, the “**Calculation Period**“):

- (i) “**Actual/Actual (ICMA)**” is specified:
 - (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period; and (y) the number of Determination Periods normally ending in any year; and
 - (b) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period; and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period; and (2) the number of Determination Periods normally ending in any year,

where:

“**Determination Period**“ means the period from and including a Determination Date in any year but excluding the next Determination Date; and

“**Determination Date**“ means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s);

- (ii) if “**Actual/Actual**“ or “**Actual/Actual - ISDA**“ is specified, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (iii) if “**Actual/365 (Fixed)**“ is specified, the actual number of days in the Calculation Period divided by 365;
- (iv) if “**Actual/360**“ is specified, the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**“, “**360/360**“ or “**Note Basis**“ is specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

“**D₂**“ is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30;

“**euro**“ means the lawful currency of the Participating Member States;

“**Fixed Coupon Amount**“ means the amount specified as such in the relevant Final Terms;

“**Interest Commencement Date**“ means the Issue Date or such other date as may be specified in the relevant Final Terms;

“**Interest Determination Date**“ means, with respect to an Interest Rate and an Interest Period, the date specified as such in the relevant Final Terms or, if none is so specified, the day falling two Business Days in London prior to the first day of such Interest Period (or if the Relevant Currency is sterling, the first day of such Interest Period) (as adjusted in accordance with any business day convention (as defined below) specified in the relevant Final Terms);

“**Interest Period**“ means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

“**Interest Rate**“ means the rate of interest payable from time to time in respect of the Notes and which is either specified as such in, or calculated in accordance with the provisions of, these Conditions and/or the relevant Final Terms;

“**ISDA Definitions**“ means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of Notes of the relevant Sub-Class (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.), unless otherwise specified in the relevant Final Terms;

“**Margin**“ means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms;

“**Maturity Date**“ means the date specified in the relevant Final Terms as the final date on which the principal amount of the Note is due and payable;

“**Maximum Interest Rate**“ means the rate specified as such in the relevant Final Terms;

“**Minimum Interest Rate**“ means the rate specified as such in the relevant Final Terms;

“**Outstanding**“ in relation to the Notes of all or any Sub-Class, all the Notes of such Sub-Class issued other than:

- (i) those Notes which have been redeemed pursuant to the Note Trust Deed;
- (ii) those Notes in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest payable thereon) have been duly paid to the Note Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relative Noteholders in accordance with Condition 17 (*Notices*)) and remain available for payment against presentation of the relevant Notes and/or Receipts and/or Coupons;
- (iii) those Notes which have been purchased and cancelled in accordance with Condition 8(f) (*Purchase of Notes*) and 8(h) (*Cancellation*);
- (iv) those Notes which have become void or in respect of which claims have become prescribed, in each case under Condition 13 (*Prescription*);
- (v) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Notes, Coupons, Receipts and Talons*);
- (vi) (for the purpose only of ascertaining the nominal amount of the Notes outstanding and without prejudice to the status for any other purpose of the relevant Notes) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Notes, Coupons, Receipts and Talons*); and
- (vii) in the case of Bearer Notes, any Global Note to the extent that it shall have been exchanged for Definitive Notes or another Global Note and, in the case of Registered Notes, any Global Note Certificate to the extent that it shall have been exchanged for Individual Note Certificates, and, in each case, pursuant to its provisions, the provisions of the Note Trust Deed and the Agency Agreement,

provided that for each of the following purposes, namely:

- (a) the right to attend and vote at any meeting of the holders of the Notes of any Sub-Class;
- (b) the determination of how many and which Notes of any Sub-Class are for the time being outstanding for the purposes of Condition 15 (*Meetings of Noteholders, Modification, Waiver and Substitution*), and for the purposes of certain provisions relating to, *inter alia*, voting instructions and Noteholder meetings as set out in the STID and the Note Trust Deed;
- (c) any discretion, power or authority (whether contained in the Note Trust Deed or vested by operation of law) which the Note Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the holders of the Notes of any Sub-Class; and

(d) the determination by the Note Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the holders of the Notes of any Sub-Class,

those Notes of the relevant Sub-Class (if any) which are for the time being held by or on behalf of the Issuer, the other Obligors, any Subsidiary of the Issuer or the other Obligors, or any Associate of the Issuer or the other Obligors (other than any Associate which is a licensed or regulated financial institution which holds Notes in the ordinary course of its business), in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain Outstanding.

“**Page**“ means such page, section, caption, column or other part of a particular information service (including the Reuters Money 3000 Service (“**Reuters**“)) as may be specified in the relevant Final Terms, or such other page, section, caption, column or other part as may replace the same on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying comparable rates or prices;

“**Participating Member State**“ means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty establishing the European Communities (as amended), and “**Participating Member States**“ means all of them;

“**Principal Amount Outstanding**“ means, in relation to a Note, Sub-Class or Class, the original face value thereof (in relation to any Indexed Notes, as adjusted in accordance with the Conditions) less any repayment of principal made to the Holder(s) thereof in respect of such Note, Sub-Class or Class;

“**Redemption Amount**“ means the amount provided under Condition 8(b) (*Redemption at the Option of the Issuer*), unless otherwise specified in the relevant Final Terms;

“**Reference Banks**“ means the institutions specified as such or, if none, four major banks selected by the Agent Bank (or the Calculation Agent, if applicable) in the interbank market (or, if appropriate, money market) which is most closely connected with the Relevant Rate as determined by the Agent Bank (or the Calculation Agent, if applicable), on behalf of the Issuer, in its sole and absolute discretion;

“**Relevant Currency**“ means the currency specified as such or, if none is specified, the currency in which the Notes are denominated;

“**Relevant Date**“ means the earlier of (a) the date on which all amounts in respect of the Notes have been paid, and (b) five days after the date on which all of the Principal Amount Outstanding (adjusted in the case of Indexed Notes in accordance with Condition 7(b) (*Application of the Index Ratio*)) has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 17 (*Notices*);

“**Relevant Financial Centre**“ means, with respect to any Note, the financial centre specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the Relevant Rate is most closely connected as determined by the Agent Bank (or the Calculation Agent, if applicable);

“**Relevant Rate**“ means the offered rate for a Representative Amount of the Relevant Currency for a period (if applicable) equal to the Specified Duration (or such other rate as shall be specified in the relevant Final Terms);

“**Relevant Time**“ means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre;

“**Reporting Accountants**“ means Deloitte LLP or such other firm of independent accountants of international repute nominated by ENW and approved by the Security Trustee.

“**Representative Amount**“ means, with respect to any rate to be determined on an Interest Determination Date, the amount specified in the relevant Final Terms as such or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time;

“**Specified Denomination**“ means the denomination specified in the relevant Final Terms;

“**Specified Duration**“ means, with respect to any Floating Rate (as defined in the ISDA Definitions) to be determined on an Interest Determination Date, the period or duration specified as such in the relevant Final Terms or, if none is specified, a period of time equal to the relative Interest Period;

“**Specified Payment Date**“ means the date(s) specified as such in the relevant Final Terms;

“**Specified Period**“ means the period(s) specified as such in the relevant Final Terms;

“**TARGET 2 Settlement Day**“ means any day on which the TARGET System is open; and

“**TARGET System**“ means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto.

7 Indexation

This Condition 7 is applicable only if the relevant Final Terms specifies the Notes as Indexed Notes.

(a) Definitions

“**affiliate**“ means in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls directly or indirectly, that person or any entity, directly or indirectly under common control with that person and, for this purpose, “**control**“ means control as defined in the Companies Act 2006;

“**Base Index Figure**“ means (subject to Condition 7(c)(i) (*Change in base*)) the base index figure as specified in the relevant Final Terms;

“**Calculation Date**“ means any date when a payment of interest or, as the case may be, principal falls due;

“**Index**“ or “**Index Figure**“ means, in relation to any relevant month (as defined in Condition 7(c)(ii) (*Delay in publication of Index*)), subject as provided in Condition 7(c)(i) (*Change in base*), the UK Retail Price Index (RPI) (for all items) published by the Central Statistical Office (January 1987 = 100) or any comparable index which may replace the UK Retail Price Index for the purpose of calculating the amount payable on repayment of the Reference Gilt.

Any reference to the “**Index Figure applicable**“ to a particular Calculation Date shall, subject as provided in Condition 7(c) (*Changes in Circumstances Affecting the Index*) and (e) (*Cessation of or Fundamental Changes to the Index*), and if “3 months lag” is specified in the relevant Final Terms, be calculated in accordance with the following formula:

$$IFA = RPI_{m-3} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times (RPI_{m-2} - RPI_{m-3})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

“**IFA**“ means the Index Figure applicable;

“**RPI_{m-3}**“ means the Index Figure for the first day of the month that is three months prior to the month in which the payment falls due;

“**RPI_{m-2}**“ means the Index Figure for the first day of the month that is two months prior to the month in which the payment falls due;

Any reference to the “**Index Figure applicable**“ to a particular Calculation Date shall, subject as provided in Condition 7(b) (*Application of the Index Ratio*) below, and if “8 months lag” is specified in the relevant Final Terms, be calculated in accordance with the following formula:

$$IFA = RPI_{m-8} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times (RPI_{m-7} - RPI_{m-8})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

“**IFA**“ means the Index Figure applicable;

“**RPI_{m-8}**“ means the Index Figure for the first day of the month that is eight months prior to the month in which the payment falls due;

“**RPI_{m-7}**“ means the Index Figure for the first day of the month that is seven months prior to the month in which the payment falls due;

“**Index Ratio**“ applicable to any Calculation Date means the Index Figure applicable to such date divided by the Base Index Figure;

“**Limited Index Ratio**“ means (a) in respect of any month prior to the relevant Issue Date, the Index Ratio for that month; (b) in respect of any Limited Indexation Month after the relevant Issue Date, the product of the Limited Indexation Factor for that month and the Limited Index Ratio as previously calculated in respect of the month 12 months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

“**Limited Indexation Factor**“ means, in respect of a Limited Indexation Month, the ratio of the Index Figure applicable to that month divided by the Index Figure applicable to the month 12 months prior thereto, provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

“**Limited Indexation Month**“ means any month specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

“**Limited Indexed Notes**“ means Indexed Notes to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies;

“**Maximum Indexation Factor**“ means the indexation factor specified as such in the relevant Final Terms;

“**Minimum Indexation Factor**“ means the indexation factor specified as such in the relevant Final Terms; and

“**Reference Gilt**” means the Treasury Stock specified as such in the relevant Final Terms for so long as such stock is in issue, and thereafter such issue of index-linked Treasury Stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer and approved by the Note Trustee (an “**Indexation Adviser**”).

(b) *Application of the Index Ratio*

Each payment of interest and principal in respect of the Notes shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio or Limited Index Ratio in the case of Limited Indexed Notes applicable to the month in which such payment falls to be made and rounded in accordance with Condition 6(f) (*Rounding*).

(c) *Changes in Circumstances Affecting the Index*

- (i) *Change in base*: If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the calendar month from and including that in which such substitution takes effect (1) the definition of “**Index**” and “**Index Figure**” in Condition 7(a) (*Definitions*) shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor); and (2) the new Base Index Figure shall be the product of the existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.
- (ii) *Delay in publication of Index*: If the Index Figure relating to any month (the “**relevant month**”) which is required to be taken into account for the purposes of the determination of the Index Figure applicable for any date is not published on or before the fourteenth business day before the date on which any payment of interest or principal on the Notes is due (the “**date for payment**”), the Index Figure relating to the relevant month shall be (1) such substitute index figure (if any) as the Note Trustee (acting solely on the advice of the Indexation Adviser) considers to have been published by the Bank of England for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by the Note Trustee on the advice of an Indexation Adviser; or (2) if no such determination is made by the Note Trustee or (as the case may be) such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 7(c)(i) (*Change in base*)) before the date for payment.

(d) *Application of Changes*

Where the provisions of Condition 7(c)(ii) (*Delay in publication of Index*) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls shall be conclusive and binding. If an Index Figure having been applied pursuant to Condition 7(c)(ii)(2) (*Delay in publication of Index*), the Index Figure relating to the relevant month is subsequently published while a Note is still Outstanding, then:

- (i) in relation to a payment of principal or interest in respect of such Note other than upon final redemption of such Note, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced by an amount equal to (respectively) the shortfall or excess of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 7(c)(ii)(2) (*Delay in publication of Index*), below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth business day before the date for payment; and

- (ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.
- (e) *Cessation of or Fundamental Changes to the Index*
- (i) If (1) the Note Trustee has been notified by the Agent Bank (or the Calculation Agent, if applicable) that the Index has ceased to be published; or (2) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of the Note Trustee acting solely on the advice of an Indexation Adviser (and on whose opinion the Note Trustee is entitled to rely absolutely and without liability), be materially prejudicial to the interests of the Noteholders, the Note Trustee will give written notice of such occurrence to the Issuer, and the Issuer and the Note Trustee (acting solely on the advice of the Indexation Adviser) together shall seek to agree for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.
 - (ii) If the Issuer and the Note Trustee fail to reach agreement as mentioned above within 20 business days following the giving of notice as mentioned in Condition 7(e)(i), a bank or other person in London shall be appointed by the Issuer with the prior approval of the Note Trustee or, failing agreement on and the making of such appointment within 20 business days following the expiry of the day period referred to above, by the Note Trustee (in each case, such bank or other person so appointed being referred to as the “**Expert**“), to determine for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Note Trustee in connection with such appointment shall be borne by the Issuer.
 - (iii) The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Note Trustee or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Note Trustee (acting solely on the advice of the Indexation Adviser) and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Issuer, the Financial Guarantor(s), the other Secured Creditors, the Note Trustee and the Noteholders, and the Issuer shall give notice to the Noteholders in accordance with Condition 17 (*Notices*) of such amendments as promptly as practicable following such notification.
 - (iv) The Note Trustee shall be entitled to rely absolutely on any determination of an Expert or the Indexation Adviser without liability to any person for doing so (and whether or not the liability in respect thereof is limited by a monetary cap or otherwise).

8 Redemption, Purchase and Cancellation

(a) *Partial and Final Redemption*

Unless previously redeemed, or purchased and cancelled as provided below, or unless such Note is stated in the relevant Final Terms as having no fixed maturity date, each Note will be redeemed at its Principal Amount Outstanding (in the case of Indexed Notes as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)), on the date or dates (or, in the case of Floating Rate Notes, on the Interest Payment Date(s)) specified in the relevant Final Terms plus accrued but unpaid interest (other than in the case of Zero Coupon Notes) and, in the case of Indexed Notes, as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*) (such amount being the “**Final Redemption Amount**”).

(b) *Redemption at the Option of the Issuer*

If Call Option is specified in the relevant Final Terms, subject as provided below, and upon giving not more than 60 nor fewer than 30 days’ notice to the Note Trustee, the Security Trustee, the Majority Creditors and the Noteholders, the Issuer may (prior to the Maturity Date) redeem any Sub-Class of the Notes in whole or in part (but on a *pro rata* basis only and any such partial redemption made in respect of Notes which are in global form shall be reflected in the records of Euroclear and/or Clearstream in accordance with the provisions of the relevant Global Note) on any Interest Payment Date at their Redemption Amount, provided that Floating Rate Notes may not be redeemed before the date specified in the relevant Final Terms, as follows:

- (i) In respect of Fixed Rate Notes, the Redemption Amount will, unless otherwise specified in the relevant Final Terms, be an amount equal to the higher of (i) their Principal Amount Outstanding; and (ii) the price determined to be appropriate by a financial adviser in London (selected by the Issuer and approved by the Note Trustee) as being the price at which the Gross Redemption Yield (as defined below) on such Notes on the Reference Date (as defined below) is equal to the Gross Redemption Yield at 3:00 p.m. (London time) on the Reference Date on the Reference Gilt (as defined below) while that stock is in issue, and thereafter such UK government stock (or such other stock as specified in the relevant Final Terms for Notes denominated in currencies other than Sterling) as the Issuer may, with the advice of three persons operating in the gilt-edged market (selected by the Issuer and approved by the Note Trustee) determine to be appropriate, plus accrued but unpaid interest on the Principal Amount Outstanding.

For the purposes of this Condition 8(b)(i), “**Gross Redemption Yield**” means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the United Kingdom Debt Management Office publication “**Formulae for Calculating Gilt Prices from Yields**” published 8 June 1998 with effect from 1 November 1998 and updated on 15 January 2002 and 16 March 2005 (and as further updated, supplemented, amended or replaced from time to time) page 5 or any replacement therefor; “**Reference Date**” means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 8(b)(i); and “**Reference Gilt**” means the Treasury Stock specified in the relevant Final Terms.

- (ii) In respect of Floating Rate Notes, the Redemption Amount will, unless otherwise specified in the relevant Final Terms, be the Principal Amount Outstanding plus any premium for early redemption in certain years (as specified in the relevant Final Terms) plus any accrued but unpaid interest on the Principal Amount Outstanding.

- (iii) In respect of Indexed Notes, the Redemption Amount will (unless otherwise specified in the relevant Final Terms) be the higher of (i) the Principal Amount Outstanding; and (ii) the price determined to be appropriate (without any additional indexation beyond the implicit indexation in such determined price) by a financial adviser in London (selected by the Issuer and approved by the Note Trustee) as being the price at which the Gross Real Redemption Yield (as defined below) on the Notes on the Reference Date (as defined below) is equal to the Gross Real Redemption Yield at 3:00 p.m. (London time) on the Reference Date on the Reference Gilt while that stock is in issue, and thereafter such UK government stock as the Issuer may, with the advice of three persons operating in the gilt-edged market (selected by the Issuer and approved by the Note Trustee) determine to be appropriate, plus accrued but unpaid interest (as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) on the Principal Amount Outstanding.

For the purposes of this Condition 8(b)(iii), “**Gross Real Redemption Yield**“ means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the United Kingdom Debt Management Office publication “**Formulae for Calculating Gilt Prices from Yields**“ published 8 June 1998 with effect from 1 November 1998 and updated on 15 January 2002 and 16 March 2005, page 4 or any replacement therefor, “**Reference Date**“ means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 8(b)(iii); and “**Reference Gilt**“ means the Treasury Stock specified in the relevant Final Terms.

In any such case, prior to giving any such notice, the Issuer must certify (as further specified in the Finance Documents) to the Note Trustee that it will have the funds, not subject to any interest (other than under the Security) of any other person, required to redeem the Notes as aforesaid, and that any such redemption would not cause an Event of Default to occur or subsist.

(c) *Redemption for Index Event, Taxation or Other Reasons*

Redemption for Index Events: Upon the occurrence of any Index Event (as defined below), the Issuer may, upon giving not more than 60 nor less than 30 days’ notice to the Note Trustee, the Security Trustee, the Majority Creditors and the holders of the Indexed Notes in accordance with Condition 17 (*Notices*), redeem all (but not some only) of the Indexed Notes of all Sub-Classes on any Interest Payment Date at the Principal Amount Outstanding (adjusted in accordance with Condition 7(b) (*Application of the Index Ratio*)) plus accrued but unpaid interest (such amount being an “**Early Redemption Amount**”). No single Sub-Class of Indexed Notes may be redeemed in these circumstances unless all the other Classes and Sub-Classes of Indexed Notes are also redeemed at the same time and the Issuer has discharged all amounts due and payable to any Financial Guarantor that has issued a Financial Guarantee in respect of such Class or Sub-Class of Indexed Notes. Before giving any such notice, the Issuer shall provide to the Note Trustee, the Security Trustee, the Majority Creditors and the relevant Financial Guarantor(s) a certificate signed by two Authorised Signatories (a) 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 (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to effect such redemption and payment to the relevant Financial Guarantor(s), and that any such redemption would not cause an Event of Default to occur or subsist and the Note Trustee and the Security Trustee shall be entitled to rely on such certificate without liability to any person.

“**Index Event**“ means (i) if the Index Figure for three consecutive months falls to be determined on the basis of an Index Figure previously published as provided in Condition 8(c)(ii) (*Delay in publication of Index*) and the Note Trustee has been notified by the Principal Paying Agent that publication of the

Index has ceased; or (ii) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, and (in either case) the Indexation Adviser has not been able to recommend any amendment or substitution of the Index to the Issuer and such circumstances are continuing.

Redemption for Taxation Reasons: In addition, if at any time the Issuer satisfies the Note Trustee that the Issuer would, on the next Interest Payment Date, become obliged to deduct or withhold from any payment of interest or principal in respect of the Notes (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political subdivision thereof, or any other authority thereof, then the Issuer may, in order to avoid the relevant deductions or withholding, use its reasonable endeavours to arrange the substitution of a company incorporated under another jurisdiction approved by the Note Trustee as principal debtor under the Notes and as lender under the Issuer/NWEN Loan Agreements and as obligor under the Finance Documents upon satisfying the conditions for substitution of the Issuer as set out in the STID (and referred to in Condition 15 (*Meetings of Noteholders, Modification, Waiver and Substitution*)). If the Issuer is unable to arrange a substitution as described above having used reasonable endeavours to do so and, as a result, the relevant deduction or withholding is continuing then the Issuer may (but will not be obliged to), upon giving not more than 60 nor less than 30 days' notice to the Note Trustee, the Security Trustee, the Majority Creditors and the Noteholders in accordance with Condition 17 (*Notices*), redeem all (but not some only) of the Notes on any Interest Payment Date at their Principal Amount Outstanding plus accrued but unpaid interest thereon (each adjusted, in the case of Indexed Notes, in accordance with Condition 7(b) (*Application of the Index Ratio*)) (such amount being an "**Early Redemption Amount**"). No single Sub-Class of Notes may be redeemed in these circumstances unless all the other Sub-Classes of Notes are also redeemed at the same time and the Issuer has discharged all amounts due and payable to any Financial Guarantor that has issued a Financial Guarantee in respect of any such Sub-Class of Notes. Before giving any such notice of redemption, the Issuer shall provide to the Note Trustee, the Security Trustee and the Majority Creditors and the relevant Financial Guarantors a certificate signed by two Authorised Signatories (a) 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 (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to discharge all its liabilities in respect of the Notes and any amounts under the Security Agreement to be paid in priority to, or *pari passu* with, the Notes under the Payment Priorities, and that any such redemption would not cause an Event of Default to occur or subsist.

(d) *Redemption on Prepayment of an Issuer/NWEN Loan Agreement*

If NWEN gives notice to the Issuer under an Issuer/NWEN Loan Agreement that it intends to prepay all or part of any advance made under that Issuer/NWEN Loan Agreement and such advance was funded by the Issuer from the proceeds of the issue of a Sub-Class of Notes, the Issuer shall, upon giving not more than 60 nor less than 30 days' notice to the Note Trustee, the Security Trustee, the Majority Creditors, the relevant Financial Guarantors and the Noteholders in accordance with Condition 17 (*Notices*), (where such advance is being prepaid in whole) redeem all of the Notes of that Sub-Class or (where part only of such advance is being prepaid) the proportion of the relevant Sub-Class of Notes which the proposed prepayment amount bears to the amount of the relevant advance and, if such Notes are Wrapped Notes, to pay any and all amounts due to the relevant Financial Guarantor under the Finance Documents in respect of such Wrapped Notes. In the case of a voluntary prepayment, the relevant Notes will be redeemed at their Redemption Amount determined in accordance with Condition 8(b) (*Redemption at the Option of the Issuer*) except that, in the case of

Fixed Rate Notes and Indexed Notes, for the purposes of this Condition 8(d), “**Reference Date**“ means the date two Business Days prior to the despatch of the notice of redemption given under this Condition 8(d), plus accrued but unpaid interest and, in the case of any other prepayment, the relevant Notes will be redeemed at their Principal Amount Outstanding plus accrued but unpaid interest (such amount being an “**Early Redemption Amount**”).

In any such case, prior to giving any such notice, the Issuer must certify (as further specified in the Finance Documents) to the Note Trustee that it will have the funds, not subject to any interest (other than under the Security) of any other person, required to redeem the Notes as aforesaid and discharge all its liabilities in respect of any amount under the Common Terms Agreement to be paid in priority to or pari passu with, the Notes under the Payment Priorities, and that any such redemption would not cause an Event of Default to occur or subsist.

(e) *Early redemption of Zero Coupon Notes*

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 8(e) or, if none is so specified, a Day Count Fraction of 30/360.

In these Conditions, “**Accrual Yield**“ and “**Reference Price**“ and “**Zero Coupon Note**“ have the meanings given to them in the relevant Final Terms.

(f) *Purchase of Notes*

The Issuer may, provided that no Event of Default has occurred and is continuing, purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons (if any) appertaining thereto are attached or surrendered therewith) in the open market or otherwise at any price. Any purchase by tender shall be made available to all Noteholders alike.

If not all the Notes which are in registered form are to be purchased, upon surrender of the existing Individual Note Certificate, the Registrar shall forthwith upon the written request of the Noteholder concerned issue a new Individual Note Certificate in respect of the Notes which are not to be purchased and despatch such Individual Note Certificate to the Noteholder (at the risk of the Noteholder and to such address as the Noteholder may specify in such request).

While the Notes are represented by a Global Note or Global Note Certificate (as defined below), the relevant Global Note or Global Note Certificate will be endorsed to reflect the Principal Amount Outstanding of Notes to be so redeemed or purchased.

(g) *Redemption by Instalments*

Unless previously redeemed, purchased and cancelled as provided in this Condition 8, each Note which provides for Instalment Dates (as specified in the relevant Final Terms) and Instalment Amounts (as specified in the relevant Final Terms) will be partially redeemed on each Instalment Date at the

Instalment Amount. In any such case, prior to giving any such notice, the Issuer must certify (as further specified in the Finance Documents) to the Note Trustee that it will have the funds, not subject to any interest (other than under the Security) of any other person, required to redeem the Notes as aforesaid, and that any such redemption would not cause an Event of Default to occur or subsist. In the case of early redemption, the Redemption Amount will be determined pursuant to Condition 8(b) (*Redemption at the Option of the Issuer*) above.

(h) *Cancellation*

Notes purchased by or on behalf of the Issuer or any Guarantor shall be surrendered to or to the order of the Principal Paying Agent or the Registrar, as the case may be, for cancellation and, if so surrendered, will, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with, in the case of Bearer Notes, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(i) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 8(i) and the applicable Final Terms.

9 Payments

(a) *Bearer Notes*

Payments to the Noteholders of principal (or, as the case may be, Redemption Amounts or other amounts payable on redemption) and interest (or, as the case may be, Interest Amounts) in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payment of Instalment Amounts other than on the due date for final redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 9(f) (*Unmatured Coupons and Receipts and Unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 9(f) (*Unmatured Coupons and Receipts and Unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States of America by transfer to an account denominated in the currency in which such payment is due with, or (in the case of Notes in definitive form only) a cheque payable in that currency drawn on a bank in (i) the principal financial centre of that currency, provided that such currency is not euro, or (ii) the principal financial centre of any Participating Member State if that currency is euro.

(b) *Registered Notes*

Payments of principal (or, as the case may be, Redemption Amounts) in respect of Registered Notes will be made to the holder (or the first named of joint holders) of such Note against presentation and surrender of the relevant Registered Note at the specified office of the Registrar and in the manner provided in Condition 9(a) (*Bearer Notes*).

Payments of instalments in respect of Registered Notes will be made to the holder (or the first named of joint holders) of such Note against presentation of the relevant Registered Note at the specified office of the Registrar in the manner provided in Condition 9(a) (*Bearer Notes*) above and annotation of such payment on the Register and the relevant Note Certificate.

Interest (or, as the case may be, Interest Amounts) on Registered Notes payable on any Interest Payment Date will be paid to the holder (or the first named of joint holders) on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payment of interest or Interest Amounts on

each Registered Note will be made in the currency in which such payment is due by cheque drawn on a bank in (a) the principal financial centre of the country of the currency concerned, provided that such currency is not euro, or (b) the principal financial centre of any Participating Member State if that currency is euro and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the Noteholder to the specified office of the Registrar before the relevant Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in (a) the principal financial centre of the country of that currency provided that such currency is not euro, or (b) the principal financial centre of any Participating Member State if that currency is euro.

A record of each payment so made will be endorsed on the schedule to the Global Note or the Global Note Certificate by or on behalf of the Principal Paying Agent or the Registrar, as the case may be, which endorsement shall be *prima facie* evidence that such payment has been made.

(c) *Payments in the United States of America*

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if:

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

(d) *Payments subject to fiscal laws; payments on Global Notes and Registered Notes*

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of this Condition 9. No commission or expenses shall be charged to the Noteholders, Couponholders or Receiptholders (if any) in respect of such payments.

The holder of a Global Note or Global Note Certificate shall be the only person entitled to receive payments of principal (or Redemption Amounts) and interest (or Interest Amounts) on the Global Note or Global Note Certificate (as the case may be) and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note or Global Note Certificate in respect of each amount paid.

(e) *Appointment of the Agents*

The Paying Agents, the Agent Bank, the Transfer Agents and the Registrar (the “**Agents**”) appointed by the Issuer (and their respective specified offices) are listed in the Agency Agreement. Any Calculation Agent will be listed in the relevant Final Terms and will be appointed pursuant to a Calculation Agency Agreement. The Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer reserves the right, with the prior written consent of the Note Trustee, at any time to vary or terminate the appointment of any Agent, and to appoint additional or other Agents, provided that the Issuer will at all times maintain (i) a Principal Paying Agent (in the case of Bearer Notes); (ii) a Registrar (in the case of Registered Notes); (iii) an Agent Bank or Calculation Agent (as specified in the relevant Final Terms) (in the case of Floating Rate Notes or Indexed Notes); (iv) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council

Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive; and (v) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent, Transfer Agent or Registrar in any particular place, a Paying Agent, Transfer Agent and/or Registrar, as applicable, having its specified office in the place required by such listing authority, stock exchange and/or quotation system. Notice of any such variation, termination or appointment will be given in accordance with Condition 17 (*Notices*).

(f) *Unmatured Coupons and Receipts and Unexchanged Talons*

- (i) Subject to the provisions of the relevant Final Terms, upon the due date for redemption of any Note which is a Bearer Note (other than a Fixed Rate Note, unless it has all unmaturing Coupons attached), unmaturing Coupons and Receipts relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (ii) Upon the date for redemption of any Note, any unmaturing Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iii) Upon the due date for redemption of any Note which is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iv) Where any Note, which is a Bearer Note and is a Fixed Rate Note, is presented for redemption without all unmaturing Coupons and any unexchanged Talon relating to it, a sum equal to the aggregate amount of the missing unmaturing Coupons will be deducted from the amount of principal due for payment and redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (v) If the due date for redemption of any Note is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or the Interest Commencement Date, as the case may be, or the Interest Amount payable on such date for redemption shall only be payable against presentation (and surrender if appropriate) of the relevant Note and Coupon.

(g) *Non-Business Days*

Subject as provided in the relevant Final Terms, if any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks are open for presentation and payment of debt securities and for dealings in foreign currency in London and in the relevant place of presentation and in the cities referred to in the definition of Business Days and (in the case of a payment in a currency other than euro), where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which dealings may be carried on in the relevant currency in the principal financial centre of the country of such currency and, in relation to any sum payable in euro, a day on which the TARGET System is open.

(h) *Talons*

On or after the Interest Payment Date for the final Coupon forming part of a coupon sheet issued in respect of any Note, the Talon forming part of such coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further coupon sheet (and if necessary another Talon for a further coupon sheet) (but excluding any Coupons which may have become void pursuant to Condition 13 (*Prescription*)).

10 Taxation

All payments in respect of the Notes, Receipts or Coupons will be made (whether by the Issuer, the Guarantors, any Paying Agent, the Registrar, the Note Trustee, the Security Trustee or, in respect of Wrapped Notes, the Financial Guarantors) without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer, the Guarantors, any Paying Agent or the Registrar or, where applicable, the Note Trustee, the Security Trustee or the Financial Guarantor is required by applicable law to make any payment in respect of the Notes, Receipts or Coupons subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event, the Issuer, the Guarantors, such Paying Agent, the Registrar, the Note Trustee, the Security Trustee or the Financial Guarantor, as the case may be, shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Issuer, the Guarantors, any Paying Agent, the Registrar, the Note Trustee, the Security Trustee or the Financial Guarantor will be obliged to make any additional payments to the Noteholders, Receiptholders or the Couponholders in respect of such withholding or deduction. The Issuer, the Guarantors, any Paying Agent, the Registrar, the Note Trustee, the Security Trustee or the Financial Guarantor may require holders to provide such certifications and other documents as required by applicable law in order to qualify for exemptions from applicable tax laws.

If the Issuer is obliged to make any such deduction or withholding, the amount so deducted or withheld is not guaranteed by the Financial Guarantor.

11 Events of Default

The Events of Default (as defined in the Master Definitions Agreement) relating to the Notes are set out in Schedule 6 (*Events of Default*) of the CTA.

Following the notification of an Event of Default in respect of the Issuer, the STID provides for a Standstill Period (as defined in the Master Definitions Agreement) to commence and for restrictions to apply to all Secured Creditors of NWEN. The CTA also contains various Trigger Events that will, if they occur (*inter alia*) permit the Majority Creditors to commission an Independent Review, require NWEN to discuss its plans for appropriate remedial action and prevent the NWEN Financing Group from making further Restricted Payments until the relevant Trigger Events have been remedied.

(a) *Events of Default*

If any Event of Default occurs and is continuing in relation to the Issuer, subject always to the terms of the STID, the Note Trustee may at any time (in accordance with the provisions of the Note Trust Deed and the STID), having certified in writing that, in its opinion, the occurrence of such event is materially prejudicial to the interests of the Noteholders of Wrapped Notes and/or Unwrapped Notes respectively and shall upon the Note Trustee being so directed or requested (i) by an Extraordinary Resolution (as defined in the Note Trust Deed) of holders of the relevant Sub-Classes of Wrapped Notes and/or Unwrapped Notes respectively or (ii) in writing by holders of at least one quarter in outstanding nominal amount of the relevant Sub-Class of Wrapped Notes and/or Unwrapped Notes respectively and subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction, give notice to the Issuer and the Security Trustee that the Notes of the relevant Sub-Class are, and they shall immediately become, due and repayable, at their respective Redemption Amounts determined in accordance with Condition 8(b) (*Redemption at the Option of the Issuer*) (except that, in the case of Fixed Rate Notes and Indexed Notes for the purposes of this Condition 11(a), the “**Reference Date**” means the date two Business Days prior to the despatch of the notice of redemption given under this Condition 11(a) or as specified in the applicable Final Terms.

(b) *Confirmation of no Default*

The Issuer, pursuant to the terms of the CTA, shall provide written confirmation to the Note Trustee, on an annual basis, that no Default has occurred in relation to the Issuer.

(c) *Enforcement of Security*

If the Note Trustee gives written notice to the Issuer and the Security Trustee that an Event of Default has occurred under the Notes of any Sub-Class, a Standstill Period shall commence. The Security Trustee may only enforce the Security acting in accordance with the STID and, subject to certain limitations on enforcement during a Standstill Period, on the instructions of the Majority Creditors.

(d) *Automatic Acceleration*

In the event of the acceleration of the Secured Liabilities in accordance with the STID (other than a Permitted Hedge Termination (as defined in the Master Definitions Agreement) as set out in the STID), the Notes of each Series shall automatically become due and repayable at their respective Redemption Amounts determined in accordance with Condition 8(b) (*Redemption at the Option of the Issuer*) (except that, in the case of Fixed Rate Notes and Indexed Notes for the purposes of this Condition 11(d), “**Reference Date**“ means the date two Business Days prior to the date of such acceleration) or as specified in the applicable Final Terms plus, in each case, accrued and unpaid interest thereon.

12 Enforcement Against Issuer

No Noteholder is entitled to take any action against the Issuer or, in the case of the holders of Wrapped Notes, against the Financial Guarantor or against any assets of the Issuer or any Financial Guarantor to enforce its rights in respect of the Notes or to enforce any of the Security or to enforce any Financial Guarantee unless the Note Trustee or the Security Trustee (as applicable), having become bound so to proceed, fails or neglects to do so within a reasonable period and such failure or neglect is continuing. The Security Trustee will act (subject to Condition 11(c) (*Enforcement of Security*)) on the instructions of the Majority Creditors pursuant to the STID, and neither the Note Trustee nor the Security Trustee shall be bound to take any such action unless it is indemnified and/or secured and/or prefunded to its satisfaction against all fees, costs, expenses, liabilities, claims and demands to which it may thereby become liable or which it may incur by so doing.

Neither the Note Trustee nor the Noteholders may institute against, or join any person in instituting against, the Issuer any bankruptcy, winding up, re-organisation, arrangement, insolvency or liquidation proceeding (except for the appointment of a receiver and manager pursuant to the terms of the Security Agreement and subject to the STID) or other proceeding under any similar law for so long as any Notes are Outstanding or for two years and a day after the latest Maturity Date on which any Note of any Series is due to mature.

13 Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts or Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date) in respect thereof.

14 Replacement of Notes, Coupons, Receipts and Talons

If any Bearer Note, Registered Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and requirements of the London Stock Exchange (in the case of listed Notes) (and each other listing authority, stock exchange and or quotation system upon which the relevant Notes have then been admitted to listing, trading and/or quotation), at the specified office of the Principal Paying Agent or, as the case may be, the Registrar upon payment by the claimant of the expenses

incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15 Meetings of Noteholders, Modification, Waiver and Substitution

(a) *Decisions of Majority Creditors, STID Matters and STID Direct Voting Matters*

The STID contains provisions dealing with the manner in which STID Matters affecting the interests of the Secured Creditors (including the Note Trustee and the Noteholders) will be dealt with. Noteholders will (subject to various Reserved Matters and Entrenched Rights) be bound by the decisions of the Majority Creditors (provided that the relevant Quorum Requirement has been met) (and additionally in a Default Situation, decisions made pursuant to the Emergency Instruction Procedure (as set out in Clause 9.12 (*Emergency Instruction Procedure*) of the STID).

The STID provides that in respect of STID Direct Voting Matters which do not relate to the Entrenched Rights or Reserved Matters of the Noteholders (as set out in the STID) and provided that no Default Situation is continuing (other than in respect of an Emergency Instruction Notice (as defined below)), the holders of Unwrapped Notes (and following an FG Event of Default in relation to a Financial Guarantor, the holders of the relevant Wrapped Notes) (the “**Qualifying Noteholders**”) shall each be entitled to instruct the Note Trustee through the clearing systems in accordance with the terms of the Note Trust Deed to vote on its behalf in relation to such STID Direct Voting Matters as the Senior DIG Representative of such Noteholder.

As more fully set out in the STID and the Note Trust Deed, voting in connection with such STID Direct Voting Matters shall be determined on a pound-for-pound basis by reference to the Principal Amount Outstanding owed to each of the Qualifying Senior Debt Providers voting in respect of such STID Direct Voting Matters (in the case of Qualifying Senior Debt denominated in a currency other than sterling, as calculated on the basis of the Exchange Rate), so that all votes in favour of the proposal and all votes against the proposal from such Qualifying Senior Debt Providers are considered on an aggregate basis, irrespective of whether a majority of such holders of Unwrapped Notes or, as the case may be, Wrapped Notes (following an FG Event of Default in respect of the relevant Financial Guarantor) are in favour or against the proposal.

For the purpose of voting in connection with a STID Direct Voting Matter, upon receipt thereof in accordance with the provisions of the STID, the Note Trustee shall promptly forward a copy of such notice to the Qualifying Noteholders in accordance with Condition 17 (*Notices*) requesting them to instruct the Note Trustee how to vote. After obtaining the instructions of the Qualifying Noteholders, the Note Trustee, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, will vote in relation to the relevant STID Direct Voting Matter in accordance with such instructions and without liability to any person for so doing. The Note Trustee shall not be entitled to convene a meeting of any one or more Sub-Class of Noteholders to consider a STID Direct Voting Matter unless a Default Situation is subsisting or the STID Direct Voting Matter relates to an Entrenched Right or a Reserved Matter of the relevant Sub-Class or Class of Noteholders.

If a STID Matter relates to an Entrenched Right or a Reserved Matter of a Sub-Class or Class of Noteholders (whether before or while a Default Situation is subsisting), such STID Matter shall not be a STID Direct Voting Matter and the Note Trustee shall be entitled to convene a meeting of any one or more Sub-Classes of Noteholders to consider such STID Matter and the Note Trustee shall (subject to any Emergency Instruction Notice) vote in accordance with a direction by the holders of such outstanding Notes by means of an Extraordinary Resolution of the relevant Sub-Class of Notes. In any

case, the Note Trustee shall not be obliged to vote unless it has been indemnified and/or secured and/or prefunded to its satisfaction.

If a Default Situation has occurred and is subsisting, the Note Trustee shall (subject to any Emergency Instruction Notice) be entitled to convene a meeting of any one or more Sub-Classes of Unwrapped Noteholders (or, following an FG Event of Default in respect of a Financial Guarantor, the relevant Sub-Class or Sub-Classes of Wrapped Notes) and the Note Trustee shall vote in accordance with a direction by those holders of such outstanding Unwrapped Notes (or, following the occurrence of an FG Event of Default in respect of a Financial Guarantor, the relevant Wrapped Notes) (i) by means of an Extraordinary Resolution of the relevant Sub-Class of Notes; or (ii) (in respect of a Senior DIG Proposal to terminate a Standstill) as requested in writing by the holders of at least one quarter of the Principal Amount Outstanding of the relevant Sub-Class of Notes then outstanding. In any case, the Note Trustee shall not be obliged to vote unless it has been indemnified and/or secured and/or prefunded to its satisfaction.

Subject to Entrenched Rights and Reserved Matters, while a Default Situation is subsisting, certain decisions and instructions may be required in a timeframe which does not allow the Note Trustee to convene Noteholder meetings. To cater for such circumstances, the STID provides for an emergency instruction procedure. Subject to Entrenched Rights and Reserved Matters, the Security Trustee will, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, be required to act upon instructions contained in an emergency notice (an “**Emergency Instruction Notice**”). The Emergency Instruction Notice must specify the emergency action which the Security Trustee is being instructed to take and must certify that, unless such action is taken within the timeframe specified in the Emergency Instruction Notice, the interests of the EIN Signatories will be materially prejudiced. An Emergency Instruction Notice must be signed by Senior DIG Representatives (the “**EIN Signatories**”) representing 66⅔ per cent. or more of the aggregate Outstanding Principal Amount of the Qualifying Senior Debt (after excluding from the proportion of Qualifying Senior Debt the Outstanding Principal Amount of (a) the Wrapped Notes (following the occurrence of an FG Event of Default which is continuing in relation to the relevant Financial Guarantor); and (b) the Unwrapped Notes, in each case, in respect of which the relevant Noteholder has not voted). As described above, the holders of Unwrapped Notes (and, following the occurrence of an FG Event of Default which is continuing in relation to the Financial Guarantor, the holders of the relevant Wrapped Notes) shall each be entitled to instruct the Note Trustee through the clearing systems in accordance with the terms of the Note Trust Deed to vote on its behalf as the Senior DIG Representative of such Noteholder in relation to such Emergency Instruction Notice as a STID Direct Voting Matter.

(b) *Meeting of Noteholders*

The Note Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification of the Notes, the Receipts, the Coupons or any of the provisions of the Note Trust Deed, (in the case of Wrapped Notes) the Financial Guarantees and any other Finance Document to which the Note Trustee is a party (subject to the terms of the STID). Any modification may (except in relation to any Entrenched Right or Reserved Matter of the Note Trustee (as set out in the STID) subject to the terms of the STID including, in the case of any of the Wrapped Notes, to Entrenched Rights or Reserved Matters of any Financial Guarantor (as set out in the STID) and subject to the provisions concerning ratification and/or meetings of particular combinations of Sub-Classes of Notes as set out in Condition 16(b) (*Exercise of rights by Note Trustee*) and the Note Trust Deed), be made if sanctioned by a resolution passed at a meeting of such Noteholders duly convened and held in accordance with the Note Trust Deed by a majority of not less than three-quarters of the votes cast (an “**Extraordinary Resolution**”) at such meeting. Such a

meeting may be convened by the Note Trustee or the Issuer, and shall be convened by the Issuer upon the request in writing of the relevant Noteholders holding not less than one-tenth in nominal amount of the relevant Notes for the time being Outstanding.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. in nominal amount of the relevant 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 relevant Notes held or represented, provided however, that certain matters as set out in paragraph 5 of the Fourth Schedule to the Note Trust Deed (the “**Basic Terms Modifications**“) in respect of the holders of any particular Sub-Class of Notes may be sanctioned only by an Extraordinary Resolution passed at a meeting of Noteholders of relevant Sub-Class of Notes at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one-quarter in nominal amount of the Outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the relevant Noteholders, Receipholders and Couponholders whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Note Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(c) *Modification, consent and waiver*

As more fully set out in the Note Trust Deed (and subject to the conditions and qualifications therein), the Note Trustee may, without the consent of the Noteholders of any Sub-Class, concur with the Issuer or any other relevant parties in making:

- (i) any modification of these Conditions, the Note Trust Deed, any Financial Guarantee or any Finance Document which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of law;
- (ii) (except as mentioned in the Note Trust Deed and subject to the terms of the STID) any other modification and granting any consent under or waiver or authorisation or any breach or proposed breach of these Conditions, the Note Trust Deed, such Financial Guarantee or any such Finance Document or other document which is, in the opinion of the Note Trustee, not materially prejudicial to the interests of the Noteholders of that Sub-Class; and
- (iii) (A) any proposed modification to the Note Trust Deed (including the Conditions), the Agency Agreement and the CP Agreement; and (B) any amendment or supplement to the Master Definitions Agreement, in each case required for the purpose of enabling Notes to be issued under the Programme within the United States in reliance on Rule 144A under the United States Securities Act of 1933 (as amended) (“**Rule 144A**”) to persons that are both “qualified institutional buyers” within the meaning of Rule 144A and “qualified purchasers” within the meaning of section 2(a)(51) of the United States Investment Company Act of 1940 (as amended) acting for their own account or for the account of another qualifying institutional buyer that is a qualified purchaser, provided that (i) each party to the Note Trust Deed and Agency Agreement has consented to such amendments to the Note Trust Deed, the Agency Agreement and the Conditions Precedent Agreement and/or supplement to the Master Definitions Agreement and (ii) that NWEN shall have provided a certificate signed by two Authorised Signatories of NWEN certifying to the Security Trustee and the persons specified in

the proviso (i) above that such modification, amendment and/or supplement is required for such purpose.

Any such modification, consent, waiver or authorisation shall be binding on the Noteholders of that Sub-Class, and the holders of all relevant Receipts and Coupons and, if the Note Trustee so requires, notice thereof shall be given by the Issuer to the Noteholders of that Sub-Class as soon as practicable thereafter.

The Note Trustee shall be entitled to assume that any such modification, consent, waiver or authorisation is not materially prejudicial to the Noteholders if the Rating Agencies confirm that there will not be any adverse effect thereof on the then current ratings of the Notes.

(d) *Substitutions of the Issuer*

As more fully set forth in the STID (and subject to the conditions and qualifications therein), the Note Trustee may also agree with the Issuer, without reference to the Noteholders, to the substitution of another corporation in place of the Issuer as principal debtor in respect of the Note Trust Deed and the Notes of all Series and subject to the Wrapped Notes continuing to be subject to a Financial Guarantee of the relevant Financial Guarantor.

16 Note Trustee Protections

(a) *Trustee considerations*

Subject to the terms of the STID and Condition 16(b) (*Exercise of rights by Note Trustee*), in connection with the exercise, under these Conditions, the Note Trust Deed, any Financial Guarantee or any Finance Document, of its rights, powers, trusts, authorities and discretions (including any modification, consent, waiver or authorisation), the Note Trustee shall have regard to the interests of the holders of the Notes. Where, in the sole opinion of the Note Trustee, there is a conflict between holders of two or more Sub-Classes of Notes of the same Class, it shall consider the interests of the holders of the Sub-Class of Notes with the shortest dated maturity and, in either case, will not have regard to the consequences of such exercise for the holders of other Sub-Classes of Notes or for individual Noteholders, resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. The Note Trustee shall not be entitled to require from the Issuer or any Financial Guarantor, nor shall any Noteholders be entitled to claim from the Issuer, any Financial Guarantor or the Note Trustee, any indemnification or other payment in respect of any consequence (including any tax consequence) for individual Noteholders of any such exercise.

(b) *Exercise of rights by Note Trustee*

Except as otherwise provided in these Conditions and the Note Trust Deed, when exercising any rights, powers, trusts, authorities and discretions relating to or contained in these Conditions or the Note Trust Deed (other than in determining or in respect of any Entrenched Right or Reserved Matter relating to the Notes or any other Basic Terms Modification) which relates to any Wrapped Notes, the Note Trustee shall only act on the instructions of the relevant Financial Guarantor(s) with respect to such Wrapped Notes (provided that no FG Event of Default has occurred and is continuing) in accordance with the provisions of the Note Trust Deed and the Note Trustee shall not be required to have regard to the interests of the Noteholders in relation to the exercise of such rights, powers, trusts, authorities and discretions and shall have no liability to any Noteholders as a consequence of so acting. As a consequence of being required to act only on the instructions of the relevant Financial Guarantor(s) in the circumstances referred to in the previous sentence, the Note Trustee may not, notwithstanding the

provisions of these Conditions, be entitled to act on behalf of the holders of any Sub-Classes of Wrapped Notes in the event of any such exercise of any such right, power, trust, authority or discretion. Subject as provided in these Conditions and the Note Trust Deed, the Note Trustee will exercise its rights under, or in relation to, the Note Trust Deed, the Conditions or any Financial Guarantee in accordance with the directions of the relevant Noteholders, but the Note Trustee shall not be bound as against the Noteholders to take any such action (including instituting any proceedings against the Issuer or any Financial Guarantor) unless it has (a) (in respect of the matters set out in Condition 11 (*Events of Default*) and Condition 15(a) (*Decisions of Majority Creditors, STID Matters and STID Direct Voting Matters*)) only) been so requested in writing by the holders of at least 25 per cent. in nominal amount of the relevant Sub-Classes of Notes Outstanding; or (b) been so directed by an Extraordinary Resolution; and, in each case, (ii) been indemnified, prefunded and/or furnished with security to its satisfaction.

(c) *Decisions under STID binding on all Noteholders*

Subject to the provisions of the STID and the Entrenched Rights and Reserved Matters of the Note Trustee and the Noteholders, decisions of the Majority Creditors and (in a Default Situation) decisions made pursuant to the Emergency Instructions Procedures will bind the Note Trustee and the Noteholders and the Financial Guarantors in all circumstances.

17 Notices

Notices to holders of Registered Notes will be posted to them at their respective addresses in the Register and deemed to have been given on the date of posting. Other notices to Noteholders will be valid if published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*). The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of the London Stock Exchange and any other listing authority, stock exchange and/or quotation system on which the Notes are for the time being listed. Any such notice (other than to holders of Registered Notes as specified above) shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders and Receiptholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 17.

So long as any Notes are represented by Global Notes, notices in respect of those Notes may be given by delivery of the relevant notice to Euroclear as operator of the Euroclear System or Clearstream, Luxembourg or any other relevant clearing system as specified in the relevant Final Terms for communication by them to entitled account holders in substitution for publication in a daily newspaper with general circulation in London or, in the case of holders of Registered Notes, in substitution for posting such Notices to their respective addresses in the Register. Such notices shall be deemed to have been received by the Noteholders on the day of delivery to such clearing systems.

18 Indemnification of the Note Trustee and Security Trustee

(a) *Indemnification of the Note Trustee*

The Note Trust Deed contains provisions for indemnification of the Note Trustee, and for its relief from responsibility, including provisions relieving it from taking any action including taking proceedings against the Issuer, any Financial Guarantor and/or any other person unless indemnified and/or secured and/or prefunded to its satisfaction. The Note Trustee or any of its affiliates (as defined in Condition 7 (*Indexation*)) are entitled to enter into business transactions with the Issuer, any

Financial Guarantor, the other Secured Creditors or any of their respective subsidiaries or associated companies without accounting for any profit resulting therefrom.

(b) *Indemnification of the Security Trustee*

Subject to the Entrenched Rights and Reserved Matters of the Security Trustee, the Security Trustee will only be required to take any action under or in relation to, or to enforce or protect the Security, or any other security interest created by a Finance Document, or a document referred to therein, if instructed to act by the Majority Creditors or Secured Creditors (or their representatives) (as appropriate) and if indemnified and/or secured and/or prefunded to its satisfaction.

(c) *Directions, Duties and Liabilities*

Neither the Security Trustee nor the Note Trustee, in the absence of its own wilful misconduct, gross negligence or fraud, and in all cases when acting as directed by or subject to the agreement of the Majority Creditors or Secured Creditors (or their representatives) (as appropriate), shall in any way be responsible for any loss, costs, damages or expenses or other liability, which may result from the exercise or non-exercise of any consent, waiver, power, trust, authority or discretion vested in the Security Trustee or the Note Trustee pursuant to the STID, any Finance Document or any Ancillary Document.

(d) *Reliance on Instructions*

The Note Trustee and/or the Security Trustee shall be entitled to rely absolutely (and without liability to any person for so doing) on instructions or directions given by the Majority Creditors or the Noteholders given under the Emergency Instruction Procedure or prior to a Default Situation in accordance with the procedure set out in Condition 15(a) (*Decisions of Majority Creditors, STID Matters and STID Direct Voting Matters*) and in the STID in relation to STID Direct Voting Matters or act upon a Deemed Approval (other than in respect of Entrenched Rights and Reserved Matters) as if any such instructions or directions had been given by way of an Extraordinary Resolution passed at a Noteholders' meeting.

19 European Economic and Monetary Union

(a) *Notice of redenomination*

The Issuer may, without the consent of the Noteholders, and on giving at least 30 days' prior notice to the Noteholders, the Financial Guarantors, the Note Trustee and the Principal Paying Agent, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which the United Kingdom becomes a Participating Member State.

(b) *Redenomination*

Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

- (i) the Notes of each Sub-Class denominated in sterling (the "**Sterling Notes**") shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in sterling, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty establishing the European Union, as amended, (including compliance with rules relating to rounding in accordance with European Community regulations), provided, however, that, if the Issuer determines, with the agreement of the Note Trustee, that the then current market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be

amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the London Stock Exchange and any stock exchange (if any) on which the Notes are then listed and the Principal Paying Agent of such deemed amendments;

- (ii) if Notes have been issued in definitive form:
 - (a) all Notes denominated in sterling will become void with effect from the date (the “**euro Exchange Date**“) on which the Issuer gives notice (the “**euro Exchange Notice**“) to the Noteholders and the Note Trustee that replacement Notes denominated in euro are available for exchange (provided that such Notes are available) and no payments will be made in respect thereof;
 - (b) the payment obligations contained in all Notes denominated in sterling will become void on the euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 19) shall remain in full force and effect; and
 - (c) new Notes denominated in euro will be issued in exchange for Sterling Notes in such manner as the Principal Paying Agent or the Registrar, as the case may be, may specify and as shall be notified to the Noteholders in the euro Exchange Notice;
- (iii) all payments in respect of the Sterling Notes (other than, unless the Redenomination Date is on or after such date as sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Participating Member State; and
- (iv) a Note may only be presented for payment on a day which is a business day in the place of presentation.

(c) *Interest*

Following redenomination of the Notes pursuant to this Condition 19:

- (i) where Sterling Notes have been issued in definitive form, the amount of interest due in respect of the Sterling Notes will be calculated by reference to the aggregate principal amount of the Sterling Notes presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01; and
- (ii) the amount of interest payable in respect of each Sub-Class of Sterling Notes for any Interest Period shall be calculated by applying the Interest Rate applicable to the Sub-Class of Notes denominated in euro ranking *pari passu* to the relevant Sub-Class.

20 Miscellaneous

(a) *Governing Law*

The Note Trust Deed, the STID, the Security Agreement, the Notes, the Coupons, the Receipts, the Talons (if any), the relevant Financial Guarantee (if any) and the other Finance Documents are, and all non-contractual obligations arising from or in connection with such documents shall be governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction*

The courts of England are to have exclusive jurisdiction to settle any dispute that may arise out of or in connection with the Notes, the Coupons, the Receipts, the Talons, the relevant Financial Guarantee (if any) and the Finance Documents and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Coupons, the Receipts, the Talons (if any), the relevant Financial Guarantee (if any) and/ or the Finance Documents may be brought in such courts. The Issuer has in each of the Finance Documents irrevocably submitted to the jurisdiction of such courts.

(c) *Third Party Rights*

No person shall have any right to enforce any term or condition of the Notes or the Note Trust Deed under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Bonds expressly provide for such Act to apply to any of their terms, but this does not affect any rights or remedy which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

CHAPTER 15 FORMS OF THE NOTES

Form and Exchange - Bearer Notes

Each Sub-Class of Notes initially issued in bearer form will be issued (in either CGN or NGN form, as specified in the relevant Final Terms) either as a temporary global note (the “**Temporary Global Note**“), without Coupons or Talons attached, or a permanent global note (the “**Permanent Global Note**“ and, together with any Temporary Global Notes, the “**Global Notes**“ and each a “**Global Note**“), without interest Coupons or Talons attached, in each case as specified in the relevant Final Terms. In the case of CGNs, each Temporary Global Note or, as the case may be, Permanent Global Note will be delivered on or prior to the Issue Date of the relevant Sub-Class of the Notes to the Common Depository. In the case of NGNs, each Temporary Global Note or, as the case may be, Permanent Global Note will be delivered on or prior to the Issue Date of the relevant Sub-Class of Notes to a Common Safekeeper. 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.

If the Global Note is a CGN, the nominal amount of the Global Note shall be the amount stated in the applicable Final Terms or, if lower, the nominal amount most recently entered by or on behalf of the Issuer in Schedule 1 of the Global Note. If the Global Note is an NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-(c)(2)(i)(C) (the “**TEFRA C Rules**“) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**“) are applicable in relation to the Notes.

Temporary Global Note exchangeable for Permanent Global Note

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

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

- presentation and (in the case of final exchange) surrender of the Temporary Global Note at the specified office of the Paying Agent; and

- receipt by the Paying Agent of a certificate or certificates of non-U.S. beneficial ownership issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system,

within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; provided, however, that in no circumstances shall the principal amount of the Permanent Global Note exceed the aggregate initial principal amount of the Temporary Global Note and any Temporary Global Note representing a fungible Sub-Class of Notes with the Sub-Class of Notes represented by the first Temporary Global Note.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Sub-Class of the Notes.

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Sub-Class of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note so exchanged to the bearer of the Temporary Global Note against the surrender (in the case of exchange in full) or the presentation and (in the case of CGNs only) endorsement (in the case of partial exchange) of the Temporary Global Note at the specified office of the Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the issue of such Notes. If the Global Note is a NGN, the Issuer will procure that details of such exchange be entered in the records of the relevant clearing system.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- on the expiry of such period of notice as may be specified in the relevant Final Terms;
- at any time, if so specified in the relevant Final Terms;
- if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (b) any of the circumstances described in Condition 11(a) (*Events of Default*) occurs; or

- the Issuer certifies to the Note Trustee that it has or will, on the next payment date for interest or principal, become subject to adverse tax consequences which would not be suffered if the Notes are not represented by a Permanent Global Note.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons, Receipts and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the specified office of the Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the Issue Date of such Notes. If the Global Note is a NGN, the Issuer will procure that details of such exchange be entered in the records of the relevant clearing system.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denominations(s) only. Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant date of exchange, a principal amount of Notes such that their holding is an integral multiple of a Specified Denomination.

Conditions applicable to the Notes

The Conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the Conditions set out under Chapter 14 “*Terms and Conditions of the Notes*” and the provisions of the relevant Final Terms which supplement, amend, vary and/or replace those Conditions.

The Conditions applicable to any Global Note will differ from those Conditions which would apply to the Definitive Note to the extent described under “*Provisions Relating To The Global Notes While In Global Form*”.

Legend concerning United States persons

Global Notes and Definitive Notes having a maturity of more than 365 days and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

The sections referred to in such legend provide that a United States person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Form and Exchange - Global Note Certificates

Global Certificates

Registered Notes held in Euroclear and/or Clearstream, Luxembourg and/or any other clearing system will be represented by a global note certificate (each a “**Global Note Certificate**”) which will be registered in the name of a nominee for, and deposited with, a depository for Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system on or about the Issue Date of the relevant Sub-Class.

Exchange

The Global Note Certificate will become exchangeable in whole, but not in part, for individual note certificates (each an “**Individual Note Certificate**”) if (a) Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; (b) any of the circumstances described in Condition 11(a) (*Events of Default*) occurs; (c) at any time at the request of the registered Holder if so specified in the Final Terms; or (d) the Issuer certifies to the Note Trustee that it has or will, on the next payment date for interest or principal, become subject to adverse tax consequences which would not be suffered if the Notes are not represented by a Global Note Certificate.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within seven business days of the delivery, by or on behalf of the registered Holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person’s holding) against the surrender of the Global Note Certificate at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Rights Against Issuer

Under the Note Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to interests in the Notes will (subject to the terms of the Note Trust Deed and the STID) acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note or Global Note Certificate became void, they had been the registered Holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system (as the case may be).

Provisions Relating To The Notes While In Global Form

Clearing System Accountholders

References in the Conditions of the Notes to “**Noteholder**” are references to the bearer of the relevant Global Note or the person shown in the records of the relevant clearing system as the holder of the Global Note Certificate.

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

Guarantor in respect of payments due under the Notes and such obligations of the Issuer and, in the case of Wrapped Notes, the relevant Financial Guarantor will be discharged by payment to the bearer of the Global Note or the registered holder of the Global Note Certificate, as the case may be.

Amendment to Conditions

Global Notes will contain provisions that apply to the Notes which they represent, some of which modify the effect of the Conditions of the Notes as set out in this Prospectus. The following is a summary of certain of those provisions:

- *Meeting*

The holder of a Global Note or Global Note Certificate shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Global Note or Global Note Certificate shall be treated as having one vote in respect of each integral currency unit of the Relevant Currency of the Notes for which such Global Note or Global Note Certificate may be exchanged.

- *Cancellation*

Cancellation of any Note represented by a Global Note or Global Note Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Global Note or Global Note Certificate.

- *Notices*

So long as any Notes are represented by a Global Note or Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other relevant clearing system, notices to the Noteholders may be given, subject always to listing requirements, by delivery of the relevant notice to the Euroclear, Clearstream, Luxembourg or any other relevant clearing system for communication by it to entitled Accountholders in substitution for publication as provided in the Conditions. Such notices shall be deemed to have been received by the Noteholders on the day of delivery to such clearing system.

**PRO FORMA FINAL TERMS FOR USE IN CONNECTION WITH ISSUES OF NOTES
WITH A DENOMINATION OF AT LEAST €50,000 TO BE ADMITTED TO TRADING ON
ANY EU REGULATED MARKET**

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

Final Terms dated [●]

ENW Capital Finance plc

Issue of [Sub-Class [-[●] (delete as appropriate)] [Aggregate nominal amount of Sub-Class]

[Title of Notes]

[(if Wrapped Notes issued including the following:)]

unconditionally and irrevocably guaranteed as to scheduled payments of principal and interest by

[Name of Financial Guarantor]

under the £1,000,000,000 Guaranteed Note Programme

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Prospectus dated [●] [and the supplemental Prospectus dated [●] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. 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 Prospectus. [The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [●].]

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

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [●]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplemental Prospectus dated [●]] and are attached hereto. 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 Prospectuses dated [original date] and [current date] [and the supplemental Prospectuses dated [●] and [●]. [The Prospectuses [and the supplemental Prospectuses] are available for viewing at [●].]

[Repayment of the principal and payment of any interest or premium in connection with the Notes has not been guaranteed by any Financial Guarantor or by any other financial institution.]

[Note: include above paragraph if no Wrapped Notes are being described in the Final Terms.]

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

- | | | |
|---|---|---|
| 1 | (i) Issuer: | [●] |
| | (ii) Guarantors | [●] |
| | (iii) Financial Guarantors: | [Insert name of Financial Guarantor]
<i>[delete if not Wrapped Notes]</i> |
| 2 | (i) Series Number: | [●] |
| | (ii) Sub-Class Number: | [●] |
| | <i>(If fungible with an existing Sub-Class, details of that Sub-Class, including the date on which the Notes become fungible).</i> | |
| 3 | Relevant Currency or Currencies | [●] |
| 4 | Aggregate nominal amount: | |
| | (i) Series: | [●] |
| | (ii) Sub-Class: | [●] |
| | (iii) Tranche: | [●] |
| 5 | (iv) Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]] <i>(in the case of fungible issues only, if applicable)</i> |
| | (v) Net proceeds: (required only for listed issues) | [●] |
| 6 | (i) Specified Denominations: | [●] [Note - where multiple denominations above €50,000 (or equivalent) are being used, the following sample wording should be followed: |
| | <i>(To avoid certain on-going reporting obligations under the Transparency Directive and to fall within the wholesale debt securities regime, the minimum denomination should be euro 50,000 or equivalent if Notes to be listed on an EU regulated market. In the case of Registered Notes, this means the minimum integral amount in which transfers can be made). Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its</i> | <i>[€50,000] and integral multiples of [€1,000] in excess thereof [up to and including [€99,000]. No notes in definitive form will be issued with a denomination above [€99,000]²</i>
<i>[Note- in relation to any issue of notes which are either a Temporary Global Note exchangeable for Definitive Notes or a Permanent Global Note exchangeable to Definitive Notes in circumstances other than in the limited circumstances specified in the Permanent Global Note, such Notes may only be issued in denominations equal to, or greater than, €50,000 (or equivalent and multiples thereof]</i> |

	<i>equivalent in other currencies).</i>	
	(ii) Calculation Amount	[●] <i>[If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor]</i> <i>[Note: There must be a common factor in the case of two or more Specified Denominations]</i>
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date (if different from the Issue Date):	[●]
8	Maturity Date:	[specify date or (for Floating Rate Notes) Payment Date falling in [the relevant month and year]]
9	Instalment Date:	[Not applicable/specify]
10	Interest Basis:	[[●] per cent. Fixed Rate] [[specify reference] +/-[●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [specify other]
11	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Partly Paid] [Instalment] [Dual Currency] [specify other]
12	Change of Interest or Redemption/Payment Basis:	<i>[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]</i>
13	Call Options:	Issuer Call Option <i>[(further particular specified below)]</i>
14	(i) Status and Ranking:	The Unwrapped Notes and Wrapped Notes rank <i>pari passu</i> among each other in terms of interest and principal payments.
	(ii) Status of the Guarantees:	Senior
	(iii) Status of the Financial Guarantee:	The Financial Guarantee will rank <i>pari passu</i> with all unsecured obligations of the Financial Guarantor.
	(iv) FG Event of Default	<i>[Only required if Wrapped Notes. Specify for Financial Guarantor]</i>
15	Date Board Approval for issue of Notes [and Guarantee(s)] obtained	[●] (N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)

² Delete if notes being issued are in registered form.

- 16 Method of distribution: [Syndicated/Non-syndicated]
- 17 Listing: [Official List of the London Stock Exchange and trading on its regulated market/other (*specify*)/None]

Provisions Relating to Interest (if any) Payable

- 18 Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Rate: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Determination Date [●] in each year (*insert regular Payment Dates, ignoring issue date or maturity date in the case of a long or short first or last coupon - only relevant where day count fraction is Actual/Actual (ICMA)*)
- (iii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [*specify business day convention and applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (iv) First Payment Date: [●]
- (v) Fixed Coupon Amount(s): [●] per [●] in Nominal Amount
- (vi) Broken Amount(s): [*Interest particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)*]
- (vii) Day Count Fraction: [Actual/Actual ICMA] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual/360] [30/360 or 360/360 or Note Basis] [30E/360 or Eurobond Basis]
- (viii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]
- (ix) Reference Gilt [●]
- (x) Subordinated Coupon Amount [●] / Not Applicable
- 19 Floating Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Specified Period(s)/Specified Payment Dates: [●]
- (ii) First Payment Date [●]
- (iii) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (*give details*)]

- (v) Party responsible for calculating the Rate(s) of Interest, Interest Amount(s) and Redemption Amount (if not the Agent Bank): [Not applicable/Calculation Agent]
- (vi) Screen Rate Determination:
 - Relevant Rate: [●]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
- (vii) ISDA Determination:
 - Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
- (viii) Margin(s): [+/-][●] per cent. per annum
 - [Step-Up Fees:] [●]
 - [Step-Up Date:] [●]
- (ix) Minimum Rate of Interest: [Not Applicable]
- (x) Maximum Rate of Interest: [Not Applicable]
- (xi) Day Count Fraction:
 - [Actual/Actual ICMA]
 - [Actual/365 or Actual/Actual]
 - [Actual/365 Fixed]
 - [Actual/360]
 - [30/360 or 360/360 or Note Basis]
 - [30E/360 or Eurobond Basis]
- (xii) Additional Business Centre(s): [●]
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [●]
- (xiv) Relevant Financial Centre [●]
- (xv) Representative Amount [●]
- (xvi) Subordinated Coupon Amount [●] / Not Applicable
- 20 Zero Coupon Note Provisions: [Applicable/Not Applicable]

(if not applicable, delete the remaining subparagraphs of this paragraph)

 - (i) Accrual Yield: [●] per cent. per annum [●] per cent. per annum
 - (ii) Reference Price: [●] [●]
 - (iii) Any other formula/basis of determining amount payable: [●]

(iv)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition 8(e)/specify other] <i>(Consider applicable day count fraction if not U.S dollar denominated)</i>
21	Indexed Note Provisions:	[Applicable/Not Applicable] <i>[If not applicable, delete the remaining subparagraphs of this paragraph]</i>
(i)	Index/Formula:	[UK Retail Price Index]
(ii)	Interest Rate:	[●]
(iii)	Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Agent Bank):	[Not applicable/Calculation Agent]
(iv)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	Applicable - Conditions 7(c) and 7(e)
(v)	Interest Payment Dates:	[●]
(vi)	First Payment Date:	[●]
(vii)	Business Day Convention:	[Following Business Day Convention / Modified Following Business Day Convention/ Preceding Business Day Convention/other (give details)]
(viii)	Minimum Indexation Factor:	[Not applicable/specify]
(ix)	Maximum Indexation Factor:	[Not Applicable/specify]
(x)	Limited Indexation Month(s):	[●]
(xi)	Reference Gilt	[●]
(xii)	Day Count Fraction:	[Actual/Actual ICMA] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual]
22	Dual Currency Note Provisions	[Applicable/Not Applicable] <i>[If not applicable, delete the remaining subparagraphs of this paragraph]</i>
(i)	Rate of Exchange/method of calculating Rate of Exchange:	[Give details]
(ii)	Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Agent Bank):	[Not applicable/Calculation Agent]
(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
(iv)	Person at whose option Relevant Currency(ies) is/are payable:	[●]

Provisions Relating to Redemption

- 23 Call Option: [Applicable in accordance with Condition 8(b)/Not Applicable]
[If not applicable, delete the remaining subparagraphs of this paragraph]
- (i) Optional Redemption Date(s): Any Interest Payment Date [In the case of Floating Rate Notes, not before [●] and at a premium of [●], if any.]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [●]
- (iii) if redeemable in part:
- (a) Minimum Redemption Amount: [Not applicable]
- (b) Maximum Redemption Amount: [Not applicable]
- (iv) Notice period (if other than as set out in the Conditions): [Not applicable]
- 24 Final Redemption Amount: [Par/other/see Appendix]
 In all cases where the Final Redemption Amount is Index-Linked or other variable linked (if required or if different from that set out in the Conditions) [●] per Calculation Amount
- Index/Formula/variable (if required or if different from that set out in the Conditions) [Not applicable]
- Party responsible for calculating the Final Redemption Amount (if not the Agent Bank) [Not applicable] / [Calculation Agent]
- Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable (if required or if different from that set out in the Conditions) [●]
- Determination Date(s) [●]
- Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted (if required or if different from that set out in the Conditions) [●]

- 25 Early Redemption Amount [●]
 Early Redemption Amount(s) per [●]
 Calculation Amount payable on
 redemption for taxation reasons or on
 prepayment of an Issuer/NWEN Loan
 Agreement or other early redemption
 and/or the method of calculating the same
 (if required or if different from that set
 out in the Conditions)

General Provisions applicable to the Notes

- 26 Form of Notes: [Bearer/Registered]
 (i) If issued in Bearer form: [Temporary Global Note exchangeable for a Permanent
 Global Note which is exchangeable for Definitive
 Notes on [●] days' notice/at any time/in the limited
 circumstances specified in the Permanent Global
 Note/for tax reasons.]
 [Temporary Global Note exchangeable for Definitive
 Notes].
 [Permanent Global Note exchangeable for Definitive
 Notes on [●]
 days' notice/at any time/in the limited circumstances
 specified in the Permanent Global Note/for tax
 reasons.]
 (ii) If Registered Notes: [Global Note Certificate exchangeable for Individual
 Note Certificates]
 (iii) New Global Note³: [Yes] [No]
 27 Relevant Financial Centre(s) or other [Not applicable/give details.]
 special provisions relating to Payment
 Dates:
 28 Talons for future Coupons or Receipts to [Yes/No. *If yes, give details*]⁴
 be attached to Definitive Notes (and dates
 on which such Talons mature):
 29 Details relating to Partly Paid Notes: [Not applicable/give details.]
 amount of each payment comprising the
 Issue Price and date on which each
 payment is to be made and consequences
 (if any) of failure to pay, including any
 right of the Issuer to forfeit the Notes and
 interest due on late payment:

³ The “yes” option in respect of the “New Global Note” option should only be chosen if the “Yes” option has been chosen in respect of the item “Intended to be held in a manner which would allowed Eurosystem Eligibility” under the heading “Operational Information” below. The “New Global Note” option is only applicable to certain issues of Bearer Notes.

⁴ Talons should be specified if there will be more than 27 coupons or if the total interest payments may exceed the principal due on early redemption.

- 30 Details relating to Instalment Notes: [Not applicable/*give details.*]
- (i) Instalment Date: [●]
- (ii) Instalment Amount: [●]
- 31 Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition [●]/annexed to this Final Terms] apply]
- 32 Consolidation provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
- 33 Other terms or special conditions: [Not Applicable/*give details*]
- (When adding any other final terms consideration should be given as to whether such terms constitute a “significant new factor” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*
- 34 TEFRA rules: [TEFRA C/TEFRA D/Not applicable]

Issuer/NWEN Loan Terms

- 35 Interest rate on relevant Term Advance/ Index Linked Advances: [●]
- 36 Term of relevant Term Advance/Index Linked Advances: [●]
- 37 Other relevant provisions: [●]

Distribution

- 38 (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilising Manager (if any): [Not Applicable/*give name*]
- 39 If non-syndicated, name of Dealer: [Not Applicable/*give name*]
- 40 U.S. Selling Restrictions [Reg. S Compliance Category 1; TEFRA C/ TEFRA D/ TEFRA not applicable]
- 41 Additional selling restrictions: [Not Applicable/*give details*]

Listing and Admission to Trading Application

This Final Terms comprises the details required to list the issue of Notes described herein pursuant to the listing of the Programme for the issuance of up to [●] guaranteed notes financing [●].

Responsibility

The Issuer and each Guarantor accept responsibility for the information contained in this Final Terms [save for the [Financial Guarantor] Information]*

[The Financial Guarantor accepts responsibility for the [Financial Guarantor] Information contained in this Final Terms.]

Signed on behalf of the Issuer:

By:

Duly authorised

Signed on behalf of [●]:

By:

Duly authorised

Signed on behalf of [●]:

By:

Duly authorised

Signed on behalf of [●]:

By:

Duly authorised

[Signed on behalf of the Financial Guarantor]* :

By:

Duly authorised

* Delete as applicable.

Part B - Other Information

1 Listing

- (i) Listing: [London/other (specify)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●].]
[Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [●]

2 Ratings

- Ratings: The Notes to be issued have been rated:
[S&P: [●]]
[Fitch: [●]]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

3 [Notification]

The UKLA [has been requested to provide/has provided - *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4 [Interests of Natural and Legal Persons Involved in the [Issue/Offer]]

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

“Save as discussed in Chapter 18 “*Subscription and Sale*”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”

5 Reasons for the offer, estimated net proceeds and total expenses

- (i) [Reasons for the offer: [●]]
- (See Chapter 16 “Use of Proceeds”] wording in Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]*
- (ii) [Estimated net proceeds: [●]]
- (If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)]*
- (iii) [Estimated total expenses: [●] (Include breakdown of expenses.)
- (Only necessary to include disclosure of net*

proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above).]⁽¹⁾

6 [Fixed Rate Notes only - Yield

Indication of yield:

[•]

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

7 [Floating Rate Notes only - Historic Interest Rates

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

8 [Index-Linked or other variable-linked Notes only - Performance of Index/Formula/Other Variable and Other Information concerning the underlying

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]⁽²⁾

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

9 [Dual currency Notes only - Performance of Rate[s] of Exchange

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]⁽³⁾

10 Operational information

ISIN Code:

[•]

Common Code:

[•]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Société Anonyme and the relevant identification number(s):

[Not Applicable/give name(s) and member(s) [and address(es)]]

Delivery:

Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any):

[•]

Intended to be held in a manner which would allow Eurosystem eligibility

[Yes][No] [*Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.*][*include this text if “yes” selected in which case the Notes must be issued in NGN form*]

Notes:

- (1) Required for derivative securities.
- (2) Required for derivative securities.
- (3) Required for derivative securities.

**PRO FORMA FINAL TERMS FOR USE IN CONNECTION WITH ISSUES OF
INSTRUMENTS WITH A DENOMINATION OF LESS THAN €50,000 TO BE ADMITTED
TO TRADING ON ANY EU REGULATED MARKET**

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

Final Terms dated [●]

ENW Capital Finance plc

Issue of [Sub-Class [-[●] (delete as appropriate)] [Aggregate nominal amount of Sub-Class]

[Title of Notes]

[(if Wrapped Notes issued including the following:)]

unconditionally and irrevocably guaranteed as to scheduled payments of principal and interest by

[Name of Financial Guarantor]

under the £1,000,000,000 Guaranteed Note Programme

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the EEA which has implemented the Prospectus Directive (2003/71/EC) (each, a Relevant Member State) will 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 the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes 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 has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances .

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Prospectus dated [●] [and the supplemental Prospectus dated [●] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**“). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. 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 Prospectus. [The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [●].]

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

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**“)) set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [●]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**“) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [●], which [together]

constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplemental Prospectus dated [●]] and are attached hereto. 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 Prospectuses dated [original date] and [current date] [and the supplemental Prospectuses dated [●] and [●]]. [The Prospectuses [and the supplemental Prospectuses] are available for viewing at [●].]

[Repayment of the principal and payment of any interest or premium in connection with the Notes has not been guaranteed by any Financial Guarantor or by any other financial institution.]

[Note: include above paragraph if no Wrapped Notes are being described in the Final Terms.]

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

- | | | |
|---|---|--|
| 1 | (i) Issuer: | [●] |
| | (ii) Guarantors | [●] |
| | (iii) Financial Guarantors: | <i>[Insert name of Financial Guarantor]
[delete if not Wrapped Notes]</i> |
| 2 | (i) Series Number: | [●] |
| | (ii) Sub-Class Number: | [●] |
| | | <i>(If fungible with an existing Sub-Class, details of that Sub-Class, including the date on which the Notes become fungible).</i> |
| 3 | Relevant Currency or Currencies | [●] |
| 4 | Aggregate nominal amount: | |
| | (i) Series: | [●] |
| | (ii) Sub-Class: | [●] |
| | (iii) Tranche: | [●] |
| 5 | (i) Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]] <i>(in the case of fungible issues only, if applicable)</i> |
| | (ii) Net proceeds: (required only for listed issues) | [●] |
| 6 | (i) Specified Denominations: | |
| | (ii) Calculation Amount | [●] <i>[If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor]
[Note: There must be a common factor in the case of two or more Specified Denominations]</i> |
| 7 | (i) Issue Date: | [●] |
| | (ii) Interest Commencement Date (if different from the Issue Date): | [●] |

- 8 Maturity Date: [specify date or (for Floating Rate Notes) Payment Date falling in [the relevant month and year]]
- 9 Instalment Date: [Not applicable/specify]
- 10 Interest Basis: [[●] per cent. Fixed Rate]
[[specify reference] +/-[●] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[specify other]
- 11 Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Partly Paid]
[Instalment]
[Dual Currency]
[specify other]
- 12 Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
- 13 Call Options: Issuer Call Option *[(further particular specified below)]*
- 14 (i) Status and Ranking: The Unwrapped Notes and Wrapped Notes rank *pari passu* among each other in terms of interest and principal payments.
- (ii) Status of the Guarantees: Senior
- (iii) Status of the Financial Guarantee: The Financial Guarantee will rank *pari passu* with all unsecured obligations of the Financial Guarantor.
- (iv) FG Event of Default *[Only required if Wrapped Notes. Specify for Financial Guarantor]*
- 15 Date Board Approval for issue of Notes [and Guarantee(s)] obtained [●]
(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)
- 16 Method of distribution: [Syndicated/Non-syndicated]
- 17 Listing: [Official List of the London Stock Exchange and trading on its regulated market/other (*specify*)/None]

Provisions Relating to Interest (if any) Payable

- 18 Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Rate: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]

- (ii) Interest Determination Date [●] in each year (*insert regular Payment Dates, ignoring issue date or maturity date in the case of a long or short first or last coupon - only relevant where day count fraction is Actual/Actual (ICMA)*)
- (iii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [*specify business day convention and applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (iv) First Payment Date: [●]
- (v) Fixed Coupon Amount(s): [●] per [●] in Nominal Amount
- (vi) Broken Amount(s): [*Interest particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)*]
- (vii) Day Count Fraction: [Actual/Actual ICMA] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual/360] [30/360 or 360/360 or Note Basis] [30E/360 or Eurobond Basis]
- (viii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]
- (ix) Subordinated Coupon Amount [●] / Not Applicable
- (x) Reference Gilt [●]
- 19 Floating Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Specified Period(s)/Specified Payment Dates: [●]
- (ii) First Payment Date [●]
- (iii) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*other (give details)*]
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/*other (give details)*]
- (v) Party responsible for calculating the Rate(s) of Interest, Interest Amount(s) and Redemption Amount (if not the Agent Bank): [Not applicable/Calculation Agent]
- (vi) Screen Rate Determination:
- Relevant Rate: [●]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
- (vii) ISDA Determination:

	- Floating Rate Option:	[●]
	- Designated Maturity:	[●]
	- Reset Date:	[●]
	(viii) Margin(s):	[+/-][●] per cent. per annum
	[Step-Up Fees:]	[●]
	[Step-Up Date:]	[●]
	(ix) Minimum Rate of Interest:	[Not Applicable]
	(x) Maximum Rate of Interest:	[Not Applicable]
	(xi) Day Count Fraction:	[Actual/Actual ICMA] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual/360] [30/360 or 360/360 or Note Basis] [30E/360 or Eurobond Basis]
	(xii) Additional Business Centre(s):	[●]
	(xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
	(xiv) Relevant Financial Centre	[●]
	(xv) Representative Amount	[●]
	(xvi) Subordinated Coupon Amount	[[●] / Not applicable]
20	Zero Coupon Note Provisions:	[Applicable/Not Applicable] <i>(if not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Accrual Yield: [●] per cent. per annum	[●] per cent. per annum
	(ii) Reference Price: [●]	[●]
	(iii) Any other formula/basis of determining amount payable:	[●]
	(iv) Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition 8(e)/specify other] <i>(Consider applicable day count fraction if not U.S dollar denominated)</i>
21	Indexed Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Index/Formula:	[UK Retail Price Index]
	(ii) Interest Rate:	[●]

- (iii) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Agent Bank): [Not Applicable/Calculation Agent]
 - (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: Applicable - Conditions 7(c) and 7(e)
 - (v) Interest Payment Dates: [●]
 - (vi) First Payment Date: [●]
 - (vii) Business Day Convention: [Following Business Day Convention / Modified Following Business Day Convention/ Preceding Business Day Convention/other (give details)]
 - (viii) Minimum Indexation Factor: [Not Applicable/specify]
 - (ix) Maximum Indexation Factor: [Not Applicable/specify]
 - (x) Limited Indexation Month(s): [●]
 - (xi) Reference Gilt [●]
 - (xii) Day Count Fraction: [Actual/Actual ICMA] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual]
- 22 Dual Currency Note Provisions [Applicable/Not Applicable]
- [If not applicable, delete the remaining subparagraphs of this paragraph]*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [Give details]
 - (ii) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Agent Bank): [Not Applicable/Calculation Agent]
 - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
 - (iv) Person at whose option Relevant Currency(ies) is/are payable: [●]

Provisions Relating to Redemption

- 23 Call Option: [Applicable in accordance with Condition 8(b)/Not Applicable]
- [If not applicable, delete the remaining subparagraphs of this paragraph]*

- (i) Optional Redemption Date(s): Any Interest Payment Date [In the case of Floating Rate Notes, not before [●] and at a premium of [●], if any.]
 - (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [●]
 - (iii) if redeemable in part:
 - (a) Minimum Redemption Amount: [Not applicable]
 - (b) Maximum Redemption Amount: [Not applicable]
 - (iv) Notice period (if other than as set out in the Conditions): [Not applicable]
- 24 Final Redemption Amount: [Par/other/see Appendix]
- In all cases where the Final Redemption Amount is Index-Linked or other variable linked (if required or if different from that set out in the Conditions) [●] per Calculation Amount
- Index/Formula/variable (if required or if different from that set out in the Conditions) [Not applicable]
- Party responsible for calculating the Final Redemption Amount (if not the Agent Bank) [Not applicable] / [Calculation Agent]
- Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable (if required or if different from that set out in the Conditions) [●]
- Determination Date(s) [●]
- Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted (if required or if different from that set out in the Conditions) [●]

- 25 Early Redemption Amount [●]
 Early Redemption Amount(s) per [●]
 Calculation Amount payable on
 redemption for taxation reasons or on
 prepayment of an Issuer/NWEN Loan
 Agreement or other early redemption
 and/or the method of calculating the same
 (if required or if different from that set
 out in the Conditions)

General Provisions applicable to the Notes

- 26 Form of Notes: [Bearer/Registered]
 (i) If issued in Bearer form: [Temporary Global Note exchangeable for a Permanent
 Global Note which is exchangeable for Definitive
 Notes on [●] days' notice/at any time/in the limited
 circumstances specified in the Permanent Global
 Note/for tax reasons.]
 [Temporary Global Note exchangeable for Definitive
 Notes].
 [Permanent Global Note exchangeable for Definitive
 Notes on [●]
 days' notice/at any time/in the limited circumstances
 specified in the Permanent Global Note/for tax
 reasons.]
 (ii) If Registered Notes: [Global Note Certificate exchangeable for Individual
 Note Certificates]
 (iii) New Global Note⁵: [Yes] [No]
 27 Relevant Financial Centre(s) or other [Not applicable/give details.]
 special provisions relating to Payment
 Dates:
 28 Talons for future Coupons or Receipts to [Yes/No. *If yes, give details*]⁶
 be attached to Definitive Notes (and dates
 on which such Talons mature):
 29 Details relating to Partly Paid Notes: [Not applicable/give details.]
 amount of each payment comprising the
 Issue Price and date on which each
 payment is to be made and consequences
 (if any) of failure to pay, including any
 right of the Issuer to forfeit the Notes and
 interest due on late payment:

⁵ The “yes” option in respect of the “New Global Note” option should only be chosen if the “Yes” option has been chosen in respect of the item “Intended to be held in a manner which would allowed Eurosystem Eligibility” under the heading “Operational Information” below. The “New Global Note” option is only applicable to certain issues of Bearer Notes.

⁶ Talons should be specified if there will be more than 27 coupons or if the total interest payments may exceed the principal due on early redemption.

- 30 Details relating to Instalment Notes: [Not applicable/*give details.*]
- (i) Instalment Date: [●]
- (ii) Instalment Amount: [●]
- 31 Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition [●]/annexed to this Final Terms] apply]
- 32 Consolidation provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
- 33 Other terms or special conditions: [Not Applicable/*give details*]
(When adding any other final terms consideration should be given as to whether such terms constitute a “significant new factor” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)
- 34 TEFRA rules: [TEFRA C/TEFRA D/Not applicable]

Issuer/NWEN Loan Terms

- 35 Interest rate on relevant Term Advance/ Index Linked Advances: [●]
- 36 Term of relevant Term Advance/Index Linked Advances: [●]
- 37 Other relevant provisions: [●]

Distribution

- 38 (i) If syndicated, names of Managers: [Not Applicable/*give names*]
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)
- (ii) Stabilising Manager (if any): [Not Applicable/*give name*]
- 39 If non-syndicated, name of Dealer: [Not Applicable/*give name*]
- 40 Total commission and concession [] per cent. of the Aggregate Nominal Amount
- 41 Non-exempt Offer Not Applicable (*non-exempt offers are not permitted to be made under the Programme*).
- 42 U.S. Selling Restrictions [Reg. S Compliance Category 1; TEFRA C/ TEFRA D/ TEFRA not applicable]
- 43 Additional selling restrictions: [Not Applicable/*give details*]

Listing and Admission to Trading Application

This Final Terms comprises the details required to list the issue of Notes described herein pursuant to the listing of the Programme for the issuance of up to [●] guaranteed notes financing [●].

Responsibility

The Issuer and each Guarantor accept responsibility for the information contained in this Final Terms [save for the [Financial Guarantor] Information]*

[The Financial Guarantor accepts responsibility for the [Financial Guarantor] Information contained in this Final Terms.]

Signed on behalf of the Issuer:

By:

Duly authorised

Signed on behalf of [●]:

By:

Duly authorised

Signed on behalf of [●]:

By:

Duly authorised

Signed on behalf of [●]:

By:

Duly authorised

[Signed on behalf of the Financial Guarantor]* :

By:

Duly authorised

* Delete as applicable.

PART B - OTHER INFORMATION

1 Listing

- (i) Listing: [London/other (specify)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●].
[Not Applicable.]

2 Ratings

- Ratings: The Notes to be issued have been rated:
[S&P: [●]]
[Fitch: [●]]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)
- [Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3 [Notification]

The UKLA [has been requested to provide/has provided - *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4 [Interests of Natural and Legal Persons Involved in the [Issue/Offer]]

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

“Save as discussed in Chapter 18 “*Subscription and Sale*”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”

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

5 Reasons for the offer, estimated net proceeds and total expenses

- (i) [Reasons for the offer: [●]]
- (See Chapter 16 “Use of Proceeds”] wording in Prospectus - if reasons for offer different from making profit and/or hedging certain risks will*

need to include those reasons here.))]

(ii) [Estimated net proceeds:

[•]

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

(iii) [Estimated total expenses:

[•] *(Include breakdown of expenses.)*

(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above).]⁽¹⁾

6 [Fixed Rate Notes only - Yield

Indication of yield:

[•]

The yield is calculated at the Issue Date on the basis of the Issue Price [include details of method of calculation in summary form]. It is not an indication of future yield.]

7 [Floating Rate Notes only - Historic Interest Rates

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

8 [Index-Linked or other variable-linked Notes only - PERFORMANCE OF INDEX/FORMULA/other variable, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

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

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

9 [Dual currency Notes only - Performance of Rate[s] of Exchange and explanation of effect on value of investment

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.⁽³⁾

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

10 Operational information

ISIN Code:	[•]
Common Code:	[•]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Société Anonyme and the relevant identification number(s):	<i>[Not Applicable/give name(s) and member(s) [and address(es)]]</i>
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[•]
Intended to be held in a manner which would allow Eurosystem eligibility	[Yes][No] <i>[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.][include this text if “yes” selected in which case the Notes must be issued in NGN form]</i>

Terms and Conditions of the Offer

Offer Price:	<i>[Issue Price][specify]</i>
Conditions to which the offer is subject:	<i>[Not Applicable/give details]</i>
Description of the application process:	<i>[Not Applicable/give details]</i>
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	<i>[Not Applicable/give detail]</i>
Details of the minimum and/or maximum amount of application:	<i>[Not Applicable/give details]</i>
Details of the method and time limits for paying up and delivering the Notes:	<i>[Not Applicable/give details]</i>
Manner in and date on which results of the offer are to be made public:	<i>[Not Applicable/give details]</i>
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	<i>[Not Applicable/give details]</i>
Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	<i>[Not Applicable/give details]</i>

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: *[Not Applicable/give details]*

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: *[Not Applicable/give details]*

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. *[None/give details]*

CHAPTER 16

USE OF PROCEEDS

The Issuer will on-lend the proceeds of each Series issued from time to time to NWEN pursuant to an Issuer/NWEN Loan Agreement. NWEN will apply the proceeds of the initial loan (together with other moneys available to it) towards the repayment of the Acquisition Debt.

The proceeds from any subsequent issue of Notes under the Programme will be on-lent to NWEN pursuant to an Issuer/NWEN Loan Agreement and, will to the extent that none of the Acquisition Debt remains outstanding, be used be for the general corporate purposes of NWEN and its Affiliates.

CHAPTER 17 TAXATION

The following is a summary of the UK withholding taxation treatment in relation to payments of principal and interest in respect of the Notes as at the date of this Prospectus. The comments do not deal with other UK tax aspects of acquiring, holding or disposing of the Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The summary set out below is a general guide and should be treated with appropriate caution. Prospective purchasers who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK should consult their professional advisers. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.

UK Withholding Tax on UK source interest

The Notes issued under the Programme will constitute “quoted Eurobonds” within the meaning of section 987 of the Income Tax Act 2007 to the extent that they 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 has been designated as a recognised stock exchange for these purposes. The Notes will be treated as listed on the London Stock Exchange if they are admitted to the Official List of the UK Listing Authority and are admitted to trading on the London Stock Exchange. HMRC have confirmed that securities that are admitted to trading on the Professional Securities Market satisfy the condition of being admitted to trading on the London Stock Exchange. While the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of UK income tax.

In all cases falling outside the exemption described above, interest on the Notes will be paid under deduction of UK income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or, in certain circumstances, where an exemption for payments between certain UK companies and partnerships contained in section 930 Income Tax Act 2007 applies.

However, this withholding will not apply if the relevant interest is paid on Notes with a maturity of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing capable of having a total term of a year or more.

If UK withholding tax is imposed, then the Issuer will not pay additional amounts in respect of the Notes.

Provision of Information by UK Paying and Collecting Agents

Persons in the UK (i) paying interest to or receiving interest on behalf of another person who is an individual (whether resident in the UK or elsewhere), or (ii) paying amounts due on redemption of any Notes which constitute deeply discounted securities as defined in chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 to or receiving such amounts on behalf of another person who is an individual (whether resident in the UK or elsewhere), may be required to provide certain information to HMRC regarding such payment and the identity of the payee or person entitled to the interest and, in certain circumstances such information may be exchanged with tax authorities in other countries. However, in practice no information will be required to be provided in respect of such redemption amounts paid or received on or before 5 April 2010.

For the above purposes, “interest” should be taken, for practical purposes, as including payments made by each Financial Guarantor in respect of interest on the Wrapped Notes. The provisions referred to above may

also apply, in certain circumstances, to payments made on redemption of any Notes which were not issued at a discount but where the amount payable on redemption is greater than the issue price of the Notes.

Payments by each Financial Guarantor under the Financial Guarantees and the Guarantors under the Guarantee

If any Financial Guarantor makes any payments in respect of interest on the Wrapped Notes (or other amounts due under the Wrapped Notes other than the repayment of amounts subscribed for such Wrapped Notes) or a Guarantor makes any payments under the Guarantee, such payments may be subject to UK withholding tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty. Such payments by any Financial Guarantor or Guarantor may not be eligible for any of the other exemptions described in “UK Withholding Tax on UK source interest” above. If UK withholding tax is imposed, the Relevant Financial Guarantor or Guarantor shall account to HMRC for the amount so required to be withheld or deducted. If UK withholding tax is imposed on any payments of interest by a Relevant Financial Guarantor or Guarantor, such Financial Guarantor or Guarantor will not be obliged to pay any additional amounts in respect of the Notes.

Other Rules relating to UK Withholding Tax

Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes will not be subject to any UK withholding tax pursuant to the provisions mentioned in “UK Withholding Tax on UK source interest” above, but may be subject to reporting requirements as outlined in “Provision of Information by UK Paying and Collecting Agents” above.

Where Notes are issued with a redemption premium, as opposed to being issued at a discount, then any element of such premium may constitute a payment of interest. Payments of interest are subject to UK withholding tax and reporting requirements as outlined above.

Where interest has been paid under deduction of UK income tax, Noteholders who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to “interest” above mean “interest” as understood in UK tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the Conditions of the Notes or any related documentation.

The above description of the UK withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 15(d) (*Substitutions of the Issuer*) of the Conditions of the Notes and does not consider the tax consequences of any such substitution.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person within its jurisdiction to, or collected by such person for, an individual resident, or certain limited types of entity established, in that other Member State. Similar income for this purpose includes payments on redemption of Notes representing any discount on the issue of such Notes or any premium payable on redemption. However, for a transitional period, Austria, Belgium and Luxembourg may instead impose a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. A number of third countries and territories, including Switzerland, have adopted similar measures to the EC Directive.

CHAPTER 18

SUBSCRIPTION AND SALE

Dealership Agreement

Notes may be sold from time to time by the Issuer to HSBC Bank plc and the Dealers pursuant to the Dealership Agreement. The arrangements under which a particular Sub-Class of Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in the Dealership Agreement and the subscription agreements relating to each Sub-Class of Notes. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series, Class or Sub-Class of Notes.

In the Dealership Agreement, the Issuer, failing whom, ENW has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and maintenance of the Programme and the issue of Notes under the Dealership Agreement and each of the Obligor has agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States of America

The Notes and any guarantees in respect thereof 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 meaning given to them in Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Sub-Class, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Sub-Class of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Sub-Class purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each Dealer to which it sells Notes during the distribution compliance period 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 meaning given to them in Regulation S.

In addition, until 40 days after the commencement of the offering of Notes comprising any Sub-Class, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Public Offer Selling Restriction Under The Prospectus Directive

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**“), each Dealer has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**“) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as contemplated by the relevant 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) if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**“), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 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
- (e) 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 paragraphs (b) to (e) 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 and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and agreed that:

- (a) **No deposit-taking**: in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

- (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, as amended (“**FSMA**“) by the Issuer;
- (b) **Financial Promotion**: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of FSMA does not apply to the Issuer; and
- (c) **General Compliance**: it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

General

Save for obtaining the approval of the Prospectus by the UK Listing Authority in accordance with Part VI of the FSMA for the Notes to be admitted to listing on the Official List of the UK Listing Authority and to trading on the Market, no action has been or will be taken in any jurisdiction by the Issuer, the other Obligors or the Dealers that would permit a public offering of Notes, or possession or distribution of the Prospectus or any other offering material, in any jurisdiction where action for that purpose is required. Each Dealer shall to the best of its knowledge comply with all applicable laws, regulations and directives in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute the Prospectus or any other offering material, in all cases at their own expense.

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

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Sub-Class of Notes) or (in any other case) in a supplement to this Prospectus.

CHAPTER 19

GENERAL INFORMATION

Authorisation

The establishment of the Programme, the issue of Notes thereunder and the entry into of the Finance Documents to which it is a party have been duly authorised by resolutions of the board of directors of the Issuer passed at meetings of the Board held on 23 June 2009 and 16 July 2009. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

The giving of the guarantees by each of NWEN and SPV HoldCo, the provision of security by each such company and its entry into the Finance Documents to which it is a party has been duly authorised by a resolution of the board of directors of each of NWEN and SPV HoldCo, respectively, each of which were dated 16 July 2009.

Listing of Notes

It is expected that each Sub-Class of Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Sub-Class. In the case of each Sub-Class of Wrapped Notes, admission to the Official List and to trading on the Market is subject to the issue of the relevant Financial Guarantee by the relevant Financial Guarantor in respect of such Sub-Class. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction. The estimated cost of the applications for admission to the Official List and admission to trading on the London Stock Exchange's market for listed securities is £6,325. The listing of the Programme in respect of Notes is expected to be granted on or around the Programme Date.

However, Notes may also be issued pursuant to the Programme which will not be listed on the Market or any other Stock Exchange or which will be listed on such Stock Exchange as the Issuer and the relevant Dealer(s) may agree.

Documents Available

For so long as the Programme remains in effect or any Notes shall be Outstanding, copies of the following documents may (when published) be inspected during normal business hours (in the case of Bearer Notes) at the specified office of the Principal Paying Agent, (in the case of Registered Notes) at the specified office of the Registrar and the Transfer Agents and (in all cases) at the registered office of the Issuer:

- (i) the Memorandum and Articles of Association of each of the Issuer and the other Obligors;
- (ii) the audited financial statements of ENW for the years ended 31 March 2008 and 31 March 2009;
- (iii) the audited financial statements of NWEN for the years ended 31 March 2008 and 31 March 2009;
- (iv) a copy of this Prospectus;
- (v) any Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. (In the case of any Notes which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders);

- (vi) each Financial Guarantee and all related endorsements relating to each Sub-Class of Wrapped Notes issued under the Programme and the associated G&R Deed; and
- (vii) the following Finance Documents:
 - (a) the Common Terms Agreement;
 - (b) the STID;
 - (c) the Security Documents;
 - (d) the Notes issued under the Programme;
 - (e) the NWEN Programme Hedging Agreements (together with the credit support and collateral documentation entered into in connection therewith or pursuant thereto);
 - (f) the Issuer/NWEN Loan Agreements;
 - (g) the NWEN/ENW Loan Agreement;
 - (h) the Capex Facility Agreement;
 - (i) any DSR Liquidity Facility Agreement;
 - (j) the Agency Agreement;
 - (k) the Master Definitions Agreement;
 - (l) each Account Bank Agreement;
 - (m) the CP Agreement;
 - (n) the Tax Deed of Covenant;
 - (o) any Indemnification Deed; and
 - (p) any other Authorised Credit Facility Agreements.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Sub-Class 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 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

Significant or Material Change

There has been no significant change in the financial or trading position and no material adverse change in the financial position or prospects of any of the Obligors since their respective dates of incorporation.

There has been no significant change in the financial or trading position and no material adverse change in the financial position or prospects of ENW or NWEN since 31 March 2009 and of the Issuer since the date of its incorporation.

No accounts have yet been published for either the Issuer or SPV HoldCo.

Litigation

None of the Issuer, SPV HoldCo, NWEN, ENW, the ENW Issuer or any of ENW's Subsidiaries is or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the relevant company is aware) which may have or have had in the 12 months preceding the date of this Prospectus a significant effect on the financial position of the Issuer, SPV HoldCo, NWEN, ENW, the ENW Issuer or any of ENW's Subsidiaries, respectively.

Availability of Financial Statements

The audited annual financial statements of the Issuer and the audited annual financial statements of NWEN, SPV HoldCo and ENW will be prepared as of 31 March in each year. None of the Issuer, NWEN, ENW (or any of ENW's Subsidiaries) have published and do not intend to publish any interim financial statements. All future audited annual financial statements (and any published interim financial statements) of the Issuer, NWEN, SPV HoldCo and ENW will be available free of charge in accordance with "*Documents Available*" above.

Auditors

The auditors of the Issuer, NWEN and ENW are Deloitte LLP, chartered accountants, of 2 Hardman Street, Manchester, M3 3HF, who have audited NWEN and ENW accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for each of the two financial years ended on 31 March 2008 and 31 March 2009.

Note Trustee's reliance on reports and legal opinions

Certain of the reports of accountants and other experts to be provided in connection with the Programme and/or the issue of Notes thereunder may be provided on terms whereby they contain a limit on the liability of such accountants or other experts. The Note Trustee will not necessarily be an addressee to such reports.

Under the terms of the Programme, the Note Trustee will not necessarily receive a legal opinion in connection with each issue of Notes.

Legend

Notes, Receipts, Talons and Coupons appertaining thereto will bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds a Note, Coupon, Receipt or Talon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon, Receipt or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

APPENDIX 1
FINANCIAL STATEMENTS OF NWEN

**NORTH WEST ELECTRICITY
NETWORKS LIMITED**

**Annual Report and Consolidated Financial
Statements**

For the year ended 31 March 2009

NORTH WEST ELECTRICITY NETWORKS LIMITED

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DIRECTORS' REPORT

The directors present their report and the audited financial statements of the North West Electricity Networks Limited Group (the 'Group') for the year ended 31 March 2009.

Profit, dividends and comparative information

Comparative information is presented for the period from 15 November 2007 to 31 March 2008 and includes the trading results of Electricity North West Limited ("ENW") after the acquisition on 19 December 2007.

The results for the year set out in the income statement on page 10, show that revenue for the year ended 31 March 2009 was £341.8m (period 15 November 2007 to 31 March 2008: £98.9m). Profit for the year after tax was £21.8m (period 15 November 2007 to 31 March 2008 as restated: £32.8m). An interim dividend payment of £14.2m was made in June 2008 and a further interim dividend of £1.5m was paid in December 2008. The directors do not propose a final dividend for the year ended 31 March 2009 (period 15 November 2007 to 31 March 2008: same).

Business Combinations

During the year the Directors completed the review of the fair values ascribed on the acquisition of Electricity North West Limited ("ENW") in accordance with IFRS 3 'Business Combinations'. As a consequence of this review, the Group income statement, Group balance sheet and Group cashflow statement have been restated. The adjustments to the provisional fair values are explained in note 27.

Business review and principal activities

North West Electricity Networks Limited (the 'Company') acts as an intermediary holding company only within the North West Electricity Networks (Jersey) Limited Group and does not conduct any other trading activities. The financial year ended 31 March 2009 represents the first twelve month consolidated trading period of the Group.

The Group's principal activity is the operation of electricity distribution assets by Electricity North West Limited ("ENW"). The distribution of electricity is regulated by the terms of ENW's Electricity Distribution Licence granted under the Electricity Act 1989 and monitored by the Gas and Electricity Markets Authority. The directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year.

Key performance indicators

The performance of the Group is monitored by the Board of directors by reference to key performance indicators. Performances against these measures, from the period of incorporation to 31 March 2009, are set out in the table below:

<i>Financial</i>	2009	2008 restated (see note 1)
Revenue (£m)	341.8	98.9
Operating profit before restructuring credit of £0.8m (2008: charge of £0.7m) (£m)	170.4	54.3
Profit before tax (£m)	40.4	44.5
Interest cover ⁽¹⁾	1.6 times	1.6 times

The Company operates solely as an investment Company and therefore there are no non-financial key performance indicators. For an understanding of the Group's non-financial key performance indicators the non-financial key performance indicators are presented for ENW, along with other financial measures, and are disclosed in the financial statements of that Company. The comparative information in the key performance indicators on page 17 of the ENW accounts refer to a full year and are supplementary to the key performance indicators referred to above.

Principal risks and uncertainties

The Board considers the following risks to be the principal ones that might affect the Group's performance and results and are in addition to those identified in the ENW accounts.

The principal trade and activities in the Group are carried out in ENW and a comprehensive review of the business model, the regulatory environment, the resources and principal risks and uncertainties facing that Company, and ultimately the Group, are discussed in pages 10 to 15 of the ENW annual accounts.

- (1) Interest cover is the number of times the net underlying finance expense is covered by operating profit from continuing operations before restructuring costs. Net underlying interest expense is calculated as the underlying cost of borrowings excluding any pension adjustment and movements in the fair value of debt and derivatives.

DIRECTORS' REPORT (continued)

Principal risks and uncertainties (continued)

Failure to comply with investor and banking covenants

The Group has a comprehensive set of covenants contained within the legal agreements surrounding the external borrowings. A detailed review of all the covenants has been undertaken and appropriate owners identified within the business who will be responsible for ensuring compliance. A compliance reporting regime has been established and the compliance status is reported to the Board on a monthly basis. There are no covenant breaches forecast.

Refinancing

North West Electricity Networks (Jersey) Limited is the holding company of a group of companies (the "NWEN(J) Group") established specifically for the purpose of purchasing ENW on 19 December 2007. The purchase was financed by a combination of equity and bank acquisition finance, the latter including a £465m bridging loan (the "bridge") to North West Electricity Networks Limited ("NWEN"), ENW's parent. The bridge is not due for repayment until December 2010. The NWEN(J) Group services its borrowings from the dividends it receives from ENW.

During the year, NWEN in consultation with ENW and with the benefit of external advice has developed plans for the refinancing of the bridge by one or more issues of notes to be listed on the London Stock Exchange. The directors of the NWEN(J) Group companies are committed to the refinancing and are monitoring market conditions, intending to announce plans to issue notes as soon as practicable and before the end of the current financial half year.

Liquidity and Capital Resources

The Group's primary source of liquidity is cash generated from its ongoing business operations, and funding raised through external borrowings. The electricity regulator has established price controls to 2010 which will provide certainty for a large majority of the Group's revenues from ongoing operations, providing both a stable and a predictable source of funds. This drives much of the Treasury policy decisions undertaken by management.

During the 2009 financial year, pressures in the money markets and UK economy have put pressure on the availability of funding to many institutions. The Group has limited exposure to such liquidity risk, due to the long-term nature of much of the funding in place. Nonetheless, management continues to monitor liquidity closely and is currently seeking to re-finance certain borrowings as disclosed above.

Treasury policy

The Group's treasury function operates with the delegated authority of, and under policies approved by, the Group Board. The treasury function does not act as a profit centre and does not undertake any speculative trading activity. It seeks to ensure that sufficient funding is available to meet foreseeable needs and to maintain reasonable headroom for contingencies. Long-term borrowings are structured to match earnings over a five year regulatory period through the use of interest rate swaps which are linked to inflation. The exposure limits with counterparties are reviewed regularly. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The principal risks which the Group is exposed to and which arise in the normal course of business include: credit, liquidity and interest rate risks. Derivatives are used to hedge exposure to fluctuations in interest rates. A derivative is a financial instrument, the value of which changes in response to some underlying variable (e.g., an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date. At present, the Group uses interest rate swaps, index linked swaps and gilt lock futures to hedge cash flows. Where the hedging criteria of IAS 39 are met, hedge accounting is applied and the effective part of any gain or loss on the derivative is recognised directly in equity. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

DIRECTORS' REPORT (continued)**Principal risks and uncertainties (continued)***Financial instruments entered in the year*

The Group entered two gilt lock futures contracts during the year, with notional principal totalling £200m. These instruments are linked to 10 year benchmark gilts and will be settled upon maturity in June 2009. They were entered to hedge a proposed fixed rate bond issue, with a 10 year maturity, and provide certainty over the gilt rate element of the bond coupon, covering the first £200m of the proposed bond issue in NWEN. These derivatives do not qualify for hedge accounting and all movements in fair value are reflected in the income statement. At 31 March 2009, the aggregate fair value of these instruments was £34.5m (liability). The group continues to monitor the effectiveness of this hedge in relation to the re-financing process.

The Group also entered into an inflation linked swap during the year, with a notional principal value of £170m. The swap has an underlying 30 year term, with a mandatory break clause in 2011. The swap was entered into to hedge a proposed inflation linked bond issue in ENW. This derivative does not qualify for hedge accounting and has been accounted for at fair value through profit and loss. At 31 March 2009, the fair value was £35.4m (liability).

Debt financing

The Group's borrowings net of cash and short-term deposits of £1,065.9m at 31 March 2009 (2008:£974.9m) comprised substantially all bonds and bank loans with medium to long-term maturities. The bonds have nominal value of £450m at 8.875 per cent that mature in 2026 and £100m of 1.4746 per cent index linked bonds maturing in 2046, whilst the bank loans currently amounting to £496.9m mature in December 2010 (2008:£458.7m).

Shorter-term liquidity

Short-term liquidity requirements are met from the Group's normal operating cashflow. Further liquidity is provided by cash and short-term deposit balances. Cash and short-term deposit balances were £42.3m at 31 March 2009 (2008:£101.7m).

At the year end the Group had £148.8m (31 March 2008:£184.0m) of undrawn committed bank facilities with maturity dates of longer than twelve months.

Longer-term liquidity

The Group's term loans were £1,108.2m at 31 March 2009 (2008:£1,076.4m). Amounts repayable in December 2010 comprise bank loans of £496.9m (2008:£458.7m). Amounts repayable after more than five years comprise bank and other loans. Fixed interest rates for amounts after more than five years are at 8.875 per cent on £498.9m (2008:£510.7m) and £112.4m (2008:£107m) of index linked debt was held at 31 March 2009 at an interest rate of 1.4746% plus retail price index (RPI).

Interest rate management

The Group has in place a formal risk management structure, which includes the use of risk limits, reporting and monitoring requirements, mandates, and other control procedures. It is currently the responsibility of the Board to set and approve the risk management procedures and controls. The Group manages interest rate exposure by seeking to match financing costs as closely as possible with the revenues generated by its assets. The Group's exposure to interest rate fluctuations is periodically managed in the medium-term through the use of interest rate swaps.

The Group's use of derivative instruments relates directly to underlying indebtedness, including pre-hedging future bond issues; no speculative or trading transactions are undertaken. The proportion of borrowings at effective fixed rates of interest for a period greater than one year is set in conjunction with the level of floating rate borrowings and projected regulatory revenues that are exposed to inflationary adjustments (index linked). The Group has no exposure to foreign currency exchange rate movements. Interest rate management and funding policies are set by the Board.

In order to hedge the interest cost implicit in the regulatory contract, the Group fixes interest rates for the duration of each five-year review period by typically swapping fixed rate debt to floating at the time of issue and then swapping back to fixed rate at the outset of each five-year regulatory contract period. IAS 39 'Financial Instruments: Recognition and Measurement' limits the use of hedge accounting, thereby increasing the potential volatility of the income statement. However, this has no cashflow impact and the effect of IAS 39 should broadly balance out over the 2005-10 period.

DIRECTORS' REPORT (continued)

Interest rate management (continued)

Due to the nature of the revenue streams which the Group earns being linked to inflation, management has sought to match the cost of funding the business using an inflation linked bond. By seeking to match the cost of funding to revenue streams, the risk of movements in inflation levels is mitigated. Nonetheless, there will inevitably not be a perfect match between the in and out flows. The Group therefore retains some exposure to movements in inflation rates.

Research and development

The Group is committed to developing innovative, cost-effective and practical solutions for providing high quality services and standards to our customers, and for the benefit of the wider community and the development of the business. It seeks to take as part of this process maximum advantage of wide-ranging expertise, abilities and facilities within the Group.

Employees

Employees are key to achieving the business strategy and enhancing shareholder value and as such the Group remains committed to maintaining high standards of health and safety in every area of its business.

The Group is committed to improving its employees' skills through training and development and nurturing a culture in which employees feel valued. The Group encourages employees to work to their full potential and respects the dignity and rights of every employee and supports them in performing various roles in society. The Group also challenges prejudice and stereotyping.

The Group is committed to fulfilling its obligations in accordance with the Disability Discrimination Act 1995 and best practice. As an equal opportunities employer, the Group gives equal consideration to applicants with disabilities in its employment criteria and will modify equipment and working practices wherever it is safe and practical to do so, both for new employees, and for those employees that are disabled during the course of their employment. Additionally, the Group is committed to providing full support and appropriate training for employees who become disabled during the course of their employment, so they can continue to work in a position appropriate to their experience and abilities.

Policy on the payment of suppliers and creditors

The policy is to pay suppliers according to agreed terms of business. These terms are agreed upon entering into binding contracts and the Group seeks to adhere to the payment terms, provided the relevant goods and services have been supplied in accordance with the contracts. Trade creditors principally comprise amounts outstanding to UUES for capital and operating services provided under the ASA contract. The credit period with UUES is 10 days from receipt of invoice.

Directors and their interests

The directors of the Company during the year ended 31 March 2009 are set out below. All were directors for the whole year except where otherwise indicated.

D Rigney (resigned 21 April 2008)

M Ayre (resigned 21 April 2008)

D Latham (resigned 25 November 2008)

M Nagle (resigned 25 November 2008)

A Pena (resigned 25 November 2008)

J Zibarras (resigned 26 August 2008)

G Chatas (appointed 13 March 2008, resigned 25 November 2008)

J Altman (appointed 21 April 2008, resigned 25 November 2008)

C O'Reilly (appointed 21 April 2008, resigned 25 November 2008)

S Toor (appointed 26 August 2008, resigned 25 November 2008)

S Johnson (appointed 25 November 2008)

M Sugden (appointed 25 November 2008)

C Thompson (appointed 24 April 2009)

DIRECTORS' REPORT (continued)

Directors and their interests (continued)

At no time during the year did any director have a material interest in any contract or arrangement which was significant in relation to the Group's business.

Going Concern

When considering continuing to adopt the going concern basis in preparing the annual report and financial statements, the directors have taken into account a number of factors, including the following:

- ENWs electricity distribution licence includes the obligation in standard condition 40 to maintain an investment grade issuer credit rating;
- As part of a review of licensees' financing requirements, on 15 January 2009 Ofgem issued an information request to all DNOs under standard licence condition 6 relating to the financial resources each DNO has available in the 24 months ending 31 December 2009. After making enquiries and taking account of several factors, the directors approved the submission to Ofgem of a certificate confirming their reasonable expectation that ENW has, or will have available to it, sufficient financial resources and/or financial facilities to enable ENW to carry on its regulated business for a period of two years since the date of the last statutory accounts;
- Under section 3A of the Electricity Act 1989, the Gas and Electricity Markets Authority has a duty, in carrying out its functions, to have regard to the need to secure that licence holders are able to finance the activities, which are the subject of obligations imposed by or under Part 1 of the Electricity Act 1989 or the Utilities Act 2000;
- The Group and Company have considerable financial resources. Short-term liquidity requirements are met from the Company's normal operating cashflow. Further liquidity is provided by cash and short-term deposit balances. Longer-term liquidity is provided by the Group's term loans, made available by HSBC, and committed undrawn bank facilities from HSBC, Commonwealth Bank of Australia and Mizuho, with maturity dates of longer than twelve months. There are no covenant breaches forecast;
- The Group and the Company are financed largely by long term external funding, and this together with the present cash position and committed un-drawn facilities provides the appropriate liquidity platform to allow the Company and Group to meet their operational and financial commitments for the foreseeable future;
- The Group and Company expects to raise further finance as required. The directors do not consider there to be any doubt over the Group and Company's ability to raise such finance, given the investment grade issuer ratings held by the Group and due to the fact that the Group operates within a stable and traditionally low risk industry. As a consequence, the directors believe that the Group and Company is well placed to manage its business risks despite the current uncertain economic outlook. There are no immediate consequences of being unable to refinance given the existing facilities all extend beyond 12 months;
- The Board have given detailed consideration to the principal risks and uncertainties affecting the Group and Company, as referred to in the business review, and all other factors which could impact on the Group and Company's ability to remain a going concern, and
- The Group balance sheet shows net liabilities for the year ended 31 March 2009, as a result of recognising £49.8m post tax actuarial losses on the defined benefit pension scheme. The Board have given consideration to this in respect of adopting the going concern basis and do not believe there to be any impact on the Group or Company's ability to continue as a going concern. The Board have obtained a letter of continued financial support from the parent undertaking for a period of 12 months from the signing of the annual report and accounts.

Consequently, after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors' and officers' insurance

The Company maintains an appropriate level of directors' and officers' insurance whereby directors are indemnified against liabilities to third parties to the extent permitted by the Companies Act.

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group and parent company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Information given to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

NORTH WEST ELECTRICITY NETWORKS LIMITED

DIRECTORS' REPORT (continued)

Independent auditor

On 1 December 2008 Deloitte & Touche LLP changed their name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors of the company.

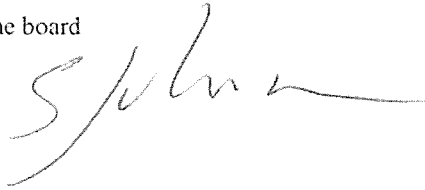
In accordance with section 384 of the Companies Act 1985, Deloitte LLP are deemed to be re-appointed as auditors of the Company.

Registered address

North West Electricity Networks Limited
Dalton House
104 Dalton Avenue
Birchwood Park
Birchwood
Warrington
WA3 6YF

Registered number: 6428375

By order of the board



S Johnson
Director

28 May 2009

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NORTH WEST ELECTRICITY NETWORKS LIMITED**

We have audited the Group and parent company financial statements ("the financial statements") of North West Electricity Networks Limited for the year ended 31 March 2009 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated and company statements of recognised income and expense, the consolidated and company cashflow statements and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for the preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NORTH WEST ELECTRICITY NETWORKS LIMITED (Continued)**

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of the profit for the year then ended;
- the parent company's financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2009;
- the Group and parent company financial statements have been prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Manchester, United Kingdom
4 June 2009

NORTH WEST ELECTRICITY NETWORKS LIMITED

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

	Note	Group 2009 £m	Restated Group 2008 (see note 1) £m
Revenue	2	341.8	98.9
Employee benefits expense	4	(6.5)	(1.8)
Depreciation and amortisation expense		(65.9)	(17.9)
Other operating costs		(99.0)	(24.9)
Restructuring credit /(charge)		0.8	(0.7)
Total operating expenses		<u>(170.6)</u>	<u>(45.3)</u>
Operating profit	3	171.2	53.6
Investment income	5	2.5	1.8
Finance expense	6	(133.3)	(10.9)
Profit before taxation		<u>40.4</u>	<u>44.5</u>
Taxation	7	(18.6)	(11.7)
Profit for the year/period	24	<u><u>21.8</u></u>	<u><u>32.8</u></u>

All the results shown in the consolidated income statement derive from continuing operations.

NORTH WEST ELECTRICITY NETWORKS LIMITED

BALANCE SHEETS

At 31 March 2009

			Restated (see note 1)		
	Note	Group 2009 £m	Company 2009 £m	Group 2008 £m	Company 2008 £m
ASSETS					
Non-current assets					
Intangible assets	10	206.2	-	207.5	-
Property, plant and equipment	11	2,101.9	-	1,983.4	-
Investments	12	-	1,145.7	-	1,145.7
Retirement benefit surplus	18	-	-	45.1	-
		<u>2,308.1</u>	<u>1,145.7</u>	<u>2,236.0</u>	<u>1,145.7</u>
Current assets					
Trade and other receivables	13	44.0	35.6	34.4	5.8
Cash and cash equivalents	14	42.3	5.6	101.7	1.4
Derivative financial instruments	16	43.2	-	5.6	0.5
		<u>129.5</u>	<u>41.2</u>	<u>141.7</u>	<u>7.7</u>
Total assets		<u><u>2,437.6</u></u>	<u><u>1,186.9</u></u>	<u><u>2,377.7</u></u>	<u><u>1,153.4</u></u>
LIABILITIES					
Current liabilities					
Borrowings	15	-	-	(0.2)	-
Trade and other payables	17	(729.2)	(668.1)	(751.1)	(694.7)
Derivative financial instruments	16	(79.6)	(34.5)	(0.5)	-
Current income tax liabilities		(3.3)	-	(24.7)	-
		<u>(812.1)</u>	<u>(702.6)</u>	<u>(776.5)</u>	<u>(694.7)</u>
Net current liabilities		<u>(682.6)</u>	<u>(661.4)</u>	<u>(634.8)</u>	<u>(687.0)</u>
Non-current liabilities					
Borrowings	15	(1,108.2)	(496.9)	(1,076.4)	(458.7)
Deferred tax liabilities	19	(449.9)	-	(467.9)	(0.1)
Provisions	20	-	-	(2.0)	-
Consumer contributions	21	(49.8)	-	(19.2)	-
Refundable customer deposits	22	(8.2)	-	(10.1)	-
Retirement benefit obligations	18	(27.5)	-	-	-
		<u>(1,643.6)</u>	<u>(496.9)</u>	<u>(1,575.6)</u>	<u>(458.8)</u>
Total liabilities		<u>(2,455.7)</u>	<u>(1,199.5)</u>	<u>(2,352.1)</u>	<u>(1,153.5)</u>
Net (liabilities) / assets		<u>(18.1)</u>	<u>(12.6)</u>	<u>25.6</u>	<u>(0.1)</u>
EQUITY					
Share capital	23	3.0	3.0	3.0	3.0
Retained earnings	24	(21.1)	(15.6)	22.6	(3.1)
Total equity		<u>(18.1)</u>	<u>(12.6)</u>	<u>25.6</u>	<u>(0.1)</u>

Approved by the board of directors on 28 May 2009 and signed on its behalf by:

M Sugden

Director



NORTH WEST ELECTRICITY NETWORKS LIMITED

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE
For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

	Note	Group 2009 £m	Company 2009 £m	Restated (see note 1) Group 2008 £m	Company 2008 £m
Actuarial losses on defined benefit pension schemes	18	(73.5)	-	(16.2)	-
Deferred tax on items taken directly to equity	19	23.7	-	6.0	-
Net expense recognised directly in equity		(49.8)	-	(10.2)	-
Profit/(loss) for the year/period		21.8	3.2	32.8	(3.1)
Total recognised income and expense for the year/period		(28.0)	3.2	22.6	(3.1)

NORTH WEST ELECTRICITY NETWORKS LIMITED

CASHFLOW STATEMENTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

			Restated (see note 1)		
	Note	Group 2009 £m	Company 2009 £m	Group 2008 £m	Company 2008 £m
Operating activities					
Cash generated from operations	29	217.5	0.1	106.6	(1.8)
Interest paid		(86.1)	(50.6)	(38.9)	(11.0)
Tax paid		(33.9)	-	(2.0)	-
		<u>97.5</u>	<u>(50.5)</u>	<u>65.7</u>	<u>(12.8)</u>
Net cash generated from/(absorbed by) operating activities					
Investing activities					
Interest received and similar income		5.0	1.5	2.3	0.6
Dividend received		-	69.5	-	11.0
Acquisition of subsidiaries	27	-	-	(1,067.8)	(1,145.7)
Purchase of property, plant and equipment		(176.9)	-	(64.9)	-
Purchase of intangible assets		(1.9)	-	-	-
Consumer contributions received		32.6	-	19.9	-
Proceeds from sale of property, plant and equipment		0.3	-	0.2	-
		<u>(140.9)</u>	<u>71.0</u>	<u>(1,110.3)</u>	<u>(1,134.1)</u>
Net cash (used in)/generated by investing activities					
Financing activities					
Proceeds on issue of ordinary shares		-	-	3.0	3.0
Dividends paid		(15.7)	(15.7)	-	-
Proceeds from borrowings		46.0	36.0	458.1	458.1
Repayment of borrowings		(46.1)	(41.8)	(2.2)	-
Proceeds from group borrowings		-	5.2	687.2	687.2
		<u>(15.8)</u>	<u>(16.3)</u>	<u>1,146.1</u>	<u>1,148.3</u>
Net cash (absorbed by)/generated from financing activities					
Net (decrease)/increase in cash and cash equivalents					
		<u>(59.2)</u>	<u>4.2</u>	<u>101.5</u>	<u>1.4</u>
Cash and cash equivalents at beginning of the period					
		<u>101.5</u>	<u>1.4</u>	<u>-</u>	<u>-</u>
Net cash and cash equivalents at end of the period					
	14	<u><u>42.3</u></u>	<u><u>5.6</u></u>	<u><u>101.5</u></u>	<u><u>1.4</u></u>

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC').

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments, investment properties and certain property, plant and equipment.

The preparation of financial statements, in conformity with generally accepted accounting practice ('GAAP') under IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

Going concern basis

When considering continuing to adopt the going concern basis in preparing the annual report and accounts, the directors have taken into account a number of factors, including the financial position of the Group, its cash flows, liquidity position and borrowing facilities and covenant compliance as described in the directors report on page 5. Consequently, after making the appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and comply with its banking covenants for the foreseeable future. Accordingly, it is appropriate to adopt the going concern basis in preparing the annual report and financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and entities controlled by the Company (its subsidiaries), made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used under the relevant local GAAP into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Restatement of Comparatives

As required by IFRS 3 'Business Combinations' any adjustments in the hindsight period to the provisional fair values of the assets and liabilities acquired with a business should be adjusted as if the amendments had occurred on the acquisition date. As a consequence, following the completion of the exercise in relation to the acquisition of Electricity North West Limited on 19 December 2007, the Group income statement, Group balance sheet and Group cashflow statement for the period ended 31 March 2008 have been restated to reflect the adjustments made. The impact of the fair value adjustments is as follows:

Income Statement	As previously reported	Adjustments arising from fair values	As restated
	£m	£m	£m
Operating profit	52.6	1.0	53.6
Profit before tax	43.5	1.0	44.5
Tax	(11.4)	(0.3)	(11.7)
Profit after tax	32.1	0.7	32.8

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Restatement of Comparatives (continued)

	As previously reported £m	Adjustments arising from fair values £m	As restated £m
Balance sheet			
Intangible assets	20.6	186.9	207.5
Property, plant and equipment	2,170.4	(187.0)	1,983.4
Retirement benefit surplus	45.1	-	45.1
Current assets	141.7	-	141.7
Creditors: amounts falling due within one year	(776.5)	-	(776.5)
Creditors: amounts falling due after more than one year	(1,576.4)	0.8	(1,575.6)
	<hr/>	<hr/>	<hr/>
Net Assets	24.9	0.7	25.6
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The adjustment to plant, property and equipment comprises of an adjustment to the provisional fair value of £188.0m and a corresponding reduction in depreciation of £1.0m. The adjustments are explained further in note 27.

As a consequence of the changes to the income statement above, the Group cashflow statement has been restated in respect of operating profit and the depreciation of plant, property and equipment. There is no impact on the net cash generated by operations.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

North West Electricity Networks Limited acquired the entire share capital of Electricity North West Limited on 19 December 2007. The business combination was accounted for in accordance with IFRS 3 and IAS 38 and is explained in note 27.

Associates

An associate is an entity over which the Group, either directly or indirectly, is in a position to exercise significant influence by participating in, but not controlling, the financial and operating policies of the entity. Associates are accounted for using the equity method. Losses of an associate in excess of the Group's interest in the associate are not recognised, except to the extent that the Group has incurred obligations in respect of the associate. Unrealised profits and losses recognised by the Group on transactions with an associate are eliminated to the extent of the Group's interest in the associate concerned.

Intangible assets

Intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. Assets which have an indefinite life are not subject to amortisation but are tested for impairment at each balance sheet date. The carrying amount is reduced by any provision for impairment where necessary.

Amortisation periods for categories of intangible assets are:

Licence Indefinite life

Computer software 3-10 years

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment comprises operational structures and other assets (including properties, overground plant and equipment and electricity operational assets).

Operational structures

Infrastructure assets are depreciated by writing off their deemed cost less the estimated residual value, evenly over their useful lives, which range from 5 to 80 years. Employee costs incurred in implementing the capital schemes of the Group are capitalised within operational structure assets.

Other assets

All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land and assets in the course of construction are not depreciated. Other assets are depreciated by writing off their cost evenly over their estimated useful lives, based on management's judgement and experience, which are principally as follows:

Buildings 30-60 years

Fixtures, fittings, tools and equipment 3-40 years

Depreciation methods and useful lives are re-assessed annually and, if necessary, changes are accounted for prospectively.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Impairment of tangible and intangible assets

Intangible assets with definite useful lives and property, plant and equipment are reviewed for impairment at each reporting date to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cashflows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell, and value in use. Value in use represents the net present value of expected future cashflows discounted on a pre-tax basis using a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cashflows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment of non-current assets is recognised in the income statement within operating costs.

Where an impairment loss subsequently reverses, the reversal is recognised in the income statement and the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not so as to exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are stated at fair value, with any allowances made for any estimated irrecoverable amounts.

Trade payables

Trade payables are stated at their nominal value.

Cash and cash equivalents

In the consolidated cashflow statement and related notes, cash and cash equivalents includes cash at bank and in hand, deposits, other short-term highly liquid investments which are readily convertible on initial investment into known amounts of cash within three months and which are subject to an insignificant risk of change in value.

Financial investments

Investments (other than interests in subsidiaries and fixed deposits) are recognised and derecognised on a trade date basis and are initially measured at fair value, including transaction costs. Investments are classified as available-for-sale and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an amortised cost basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. The effective interest rate is a method of calculating the amortised cost of a financial liability and of allocating interest expense to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting

Interest rate swap agreements are used to manage interest rate exposure. The Group does not use derivative financial instruments for speculative purposes.

All financial derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. Changes in the fair value of all derivative financial instruments that are not in a hedging relationship are recognised in the income statement within finance expense as they arise. The Group designates derivatives into hedging relationships and applies hedge accounting where all the criteria under IAS 39 'Financial Instruments: Recognition and Measurement' are met. The Group currently has one portfolio of financial instrument designated in a hedging relationship; to the extent that the hedging relationship is determined to be effective, the change in fair value of the derivative financial instruments is recognised directly in equity, with any ineffective portion of the gain or loss being recognised immediately in the income statement.

The Group elects to designate a financial liability at inception as fair value through the profit or loss on the basis that it meets the conditions specified in IAS 39 'Financial Instruments: Recognition and measurement'.

Hedge accounting

There are two types of hedge accounting strategies that the Group considers and these are summarised below: Currently the Group has one formal hedging relationship that is designated as a cash flow hedge.

Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. To the extent there is an effective hedging relationship, the associated hedged items are stated at fair value in respect of hedged risk, with any gain or loss also recognised in the income statement. As a result these two items offset each other and reduce profit volatility.

Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, the effective part of any gain or loss on the derivative is recognised directly in equity. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately. Hedge accounting is discontinued when the hedge designation is revoked, or the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Derivatives and borrowings

The Group's default treatment is for borrowings to be carried at amortised cost, whilst derivatives are recognised separately on the balance sheet at fair value. Movements in fair values are reflected through the income statement, except for the effective part of any fair value movement on derivatives designated in a cash flow hedge relationship, which is recognised directly in equity. This has the potential to introduce considerable volatility to both the income statement and balance sheet.

The Group applies the fair value through profit or loss option as no hedge accounting is currently undertaken. This area is considered to be of significance due to the magnitude of the Group's level of borrowings.

Financial assets and liabilities designated at fair value through profit or loss

The Group applies this designation where the complexity of the swaps means that they are disallowed from being allocated in a hedge relationship despite there being significant fair value offset between the hedged item and the derivative itself. The otherwise inconsistent accounting treatment that would have resulted allows the Group to satisfy the criteria for this designation. The treatment of financial assets and liabilities designated at fair value through profit or loss is consistent with the Group's documented risk management strategy.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Borrowing costs and finance income

All borrowing costs and finance income that are not directly attributable to the acquisition, issue or disposal of a financial asset or financial liability are recognised in the profit and loss account in the period in which they are accrued. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are included in the initial fair value of that instrument.

Operating profit

Operating profit is stated after charging operating expenses but before investment income, finance expense and other gains and losses.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation

Current tax, representing UK corporation tax, is based on the taxable profit for the period and is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences at the balance sheet date. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer more likely than not that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Retirement benefit obligations

The Group previously participated in two defined benefit schemes, operated by United Utilities PLC. Under the terms of the separation of Electricity North West Limited and United Utilities Electricity Services Limited, and the subsequent acquisition of Electricity North West Limited by North West Electricity Networks Limited, a new division of the Electricity Supply Pension scheme (ESPS) was established.

The division is split into two sections, the Electricity North West Limited (ENWL) section for defined benefit members of the former ESPS who are now employed by ENWL and the United Utilities Electricity Services Limited (UUES) section for defined benefit members of the former ESPS who are now employed by UUES.

The Group has taken on a contract and assumes the obligation to contribute variable amounts to the defined benefit pension scheme for the UUES section over the life of the ASA contract. In addition, at termination of the contract it is expected that the activities will revert back to the Electricity North West Limited group and members of the UUES section will TUPE back at the same time under Employment Law. As a result the group has accounted for both sections of the ESPS in accordance with IAS 19 'Employee benefits'.

The most recent actuarial valuation for the scheme for funding purposes was carried out at 31 March 2008 and will be carried out thereafter at intervals of not more than three years. The pension cost under IAS 19 'Employee Benefits' is assessed in accordance with the advice of a firm of actuaries. The assumptions are disclosed in note 18 of the financial statements. Results are affected by the actuarial assumptions used. These assumptions include those made for investment returns on the scheme's assets, discount rates, pay growth and increases to pensions in payment and deferred pensions, and life expectancy for scheme members. Actual experience may differ from the assumptions made, for example, due to changing market and economic conditions and longer or shorter lives of participants.

Defined benefit assets are measured at fair value while liabilities are measured at present value. The difference between the two amounts is recognised as a surplus or obligation in the balance sheet.

'IFRIC14: The limit on a defined benefit asset, minimum funding requirements and their interaction' was published by the interpretations committee of the International Accounting Standards Board in July 2007 and was adopted during the year ended 31 March 2008. IFRIC14 provides guidance on the extent to which a pension scheme surplus should be recognized as an asset and may also require additional liabilities to be recognised where minimum funding requirements exist. Legal opinion has been obtained that a pension surplus could be recovered on wind up of the scheme and could therefore be recognized, along with associated liabilities.

The cost of providing pension benefits to employees relating to the current year's service and the difference between the expected return on scheme assets and interest on scheme liabilities are included within the income statement within employee costs. The difference between the expected return on scheme assets and interest on scheme liabilities are included within the income statement within finance expense.

All actuarial gains and losses are recognised outside the income statement in retained earnings and presented in the statement of recognised income and expense.

In addition, the Group also operates defined contribution pension schemes. Payments are charged as employee costs as they fall due. The Group has no further payment obligations once the contributions have been paid.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Expenditure that relates to an existing condition caused by past operations that does not contribute to current or future earnings is expensed.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue represents the fair value of the income receivable in the ordinary course of business for the distribution of electricity during the period, exclusive of value-added tax.

The Group recognises revenue generally at the time of delivery and when collection of the resulting receivable is reasonably assured. Payments received in advance of revenue recognition are recorded as deferred revenue.

Consumer Contributions

Contributions receivable in respect of property, plant and equipment are treated as deferred income, which is credited to the income statement over the estimated economic lives of the related assets.

Refundable Customer Deposits

Refundable customer deposits are received in respect of property, plant and equipment and are held as a liability until repayment conditions come into effect and the amounts are repaid to the customer or are transferred to customer contributions.

Leases

Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, the Group is required to make certain estimates, judgements and assumptions that it believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented.

On an ongoing basis, the Group evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

The following paragraphs detail the policies the Group believes to have the most significant impact on the annual results under IFRS.

Carrying value of property, plant and equipment

The carrying value of property, plant and equipment (PPE) as at 31 March 2009 was £2,101.9m (2008 restated: £1,983.4m). Additions to PPE totalled £182.3m (2008 restated: £62.9m) and the depreciation charge was £63.8m in the year ended 31 March 2009 (2008 restated: £17.0m). The estimated useful economic lives of PPE are based on management's judgement and experience. When management identifies that actual useful lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of PPE investment to the Group, variations between actual and estimated useful lives could impact operating results both positively and negatively, although historically, few changes to estimated useful lives have been required.

The Group is required to evaluate the carrying values of PPE for impairment whenever circumstances indicate, in management's judgement, that the carrying value of such assets may not be recoverable. An impairment review requires management to make subjective judgements concerning the cashflows, growth rates and discount rates of the cash-generating units under review.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Revenue recognition

The Group recognises revenue generally at the time of delivery and when collection of the resulting receivable is reasonably assured. Should management consider that the criteria for revenue recognition are not met for a transaction, revenue recognition would be delayed until such time as the transaction becomes fully earned. Payments received in advance of revenue recognition are recorded as deferred revenue.

The customers of the electricity distribution business are the electricity supply companies that utilise Electricity North West Limited's distribution network to distribute electricity from generators to the end consumer. The receivable billed is dependent upon the volume of electricity distributed, including estimates of the units distributed to customers. The estimated usage is based on historical data, judgement and assumptions. Operating revenues are gradually adjusted to reflect actual usage in the period over which the meters are read.

Accounting for provisions and contingencies

The Group is subject to a number of claims incidental to the normal conduct of its business, relating to and including commercial, contractual and employment matters, which are handled and defended in the ordinary course of business. The Group routinely assesses the likelihood of any adverse judgements or outcomes to these matters as well as ranges of probable and reasonably estimated losses. Reasonable estimates involve judgements made by management after considering information including notifications, settlements, estimates performed by independent parties and legal counsel, available facts, identification of other potentially responsible parties and their ability to contribute, and prior experience. A provision is recognised when it is probable that an obligation exists for which a reliable estimate can be made of the obligation after careful analysis of the individual matter. The required provision may change in the future due to new developments and as additional information becomes available. Matters that either are possible obligations or do not meet the recognition criteria for a provision are disclosed, unless the possibility of transferring economic benefits is remote.

Retirement benefits

The Group participates in a sectionalised defined benefit scheme as described further in note 18. The Group has taken on a contract and assumes the obligation to contribute variable amounts to the defined benefit pension scheme for the UUES section over the life of the contract. In addition, at termination of the contract it is expected that the activities will revert back to the Electricity North West Limited Group and members of the UUES section will TUPE back at the same time. As a result the Group has accounted for both sections of the ESPS in accordance with IAS 19 'Employee benefits'.

The pension cost under IAS 19 'Employee benefits' is assessed in accordance with the advice of a firm of actuaries. The assumptions are disclosed in note 18 of the financial statements. Results are affected by the actuarial assumptions used. These assumptions include those made for investment returns on the schemes' assets, discount rates, pay growth and increases to pensions in payment and deferred pensions, and life expectancy for Scheme members. Actual experience may differ from the assumptions made, for example, due to changing market and economic conditions and longer or shorter lives of participants.

Fair values of derivative financial instruments

The Group uses derivative financial instruments to manage the exposure to interest rate risk and bond issues. The Board has authorised the use of derivatives by the Group to reduce the risk of loss arising from changes in market risks, and for economic hedging reasons. All financial derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. Changes in the fair value of all derivative financial instruments that are not in a hedging relationship are recognised in the income statement within finance expense as they arise. The Group designates derivatives into hedging relationships and applies hedge accounting where all the criteria under IAS 39 'Financial Instruments: Recognition and Measurement' are met.

The Group is therefore subject to volatility in the income statement due to changes in the fair values of the derivative financial instruments. Further information is provided in note 18.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

1. ACCOUNTING POLICIES (continued)

Recently issued accounting pronouncements - International Financial Reporting Standards

At the date of authorisation of these financial statements, the following relevant standards and interpretations were in issue but not yet effective. The directors anticipate that the adoption of these standards and interpretations will have no material impact on the Group's financial statements. The directors anticipate that the Group will adopt these standards and interpretations on their effective dates.

IFRS1 (amended); 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'

IFRS 3 (amended); 'Business Combinations'

IFRS 8; 'Operating Segments'

IAS 23; 'Amendment - Borrowing Costs'

IFRS 27; 'Amendment - Consolidated and Separate Financial Statements'

IFRIC 18; 'Transfers of Assets from Customers'

Interpretations in issue but not considered relevant to the activities of the group are as follows:

IFRIC 13; 'Customer loyalty Programmes'

2. REVENUE

	Year ended 31 March 2009 £m	Period ended 31 March 2008 Restated (see note 1) £m
Revenue	<u>341.8</u>	<u>98.9</u>

All revenue predominantly arises from the principal activity of electricity distribution and associated activities.

The geographical origin and destination of revenue is all within the United Kingdom.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

3. OPERATING PROFIT

The following items have been included in arriving at the Group's operating profit:

	Year ended 31 March 2009 £m	Period ended 31 March 2008 Restated (see note 1) £m
Employee benefits expense		
Employee costs (see note 4)	6.5	1.8
Depreciation and amortisation expense		
Depreciation of property, plant and equipment		
Owned assets (see note 11)	63.8	17.0
Amortisation of intangible assets and consumer contributions		
Software (see note 10)	3.3	1.0
Consumer contributions (see note 21)	(1.2)	(0.1)
Other income		
(Profit)/loss on disposal of property, plant and equipment	(0.3)	0.2
Other operating costs include:		
Research and development	1.4	0.3
Operating leases:		
- land and buildings	0.8	0.9
- hire of plant and machinery	1.7	1.4
Restructuring (credit)/costs	(0.8)	0.7
	6.5	1.8

During the year, the Group obtained the following services from the Group's auditors, at costs detailed below:

	Year ended 31 March 2009 £m	Period ended 31 March 2008 £m
Audit services		
Statutory audit of the Company's subsidiaries annual accounts	0.1	0.1
Audit related regulatory reporting for the Company's subsidiaries	-	-
Total audit fees	0.1	0.1
Other services		
- Tax services	0.7	0.1
- Corporate finance services	0.1	-
	0.9	0.2

Fees payable for the audit of the Company's accounts were £6,000 (2008: £3,000).

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

4. DIRECTORS AND EMPLOYEES

Directors' remuneration

Disclosure in respect of directors is included in note 9.

Employee costs

	Year ended 31 March 2009 £m	Period ended 31 March 2008 £m
Wages and salaries	5.7	1.1
Social security costs	0.5	0.3
Pension costs (see note 19)	8.5	2.8
	14.7	4.2
Capital schemes and charges against provisions	(8.2)	(2.4)
Charged to the income statement	6.5	1.8

Average number of employees during the period (full-time equivalent including directors)

	2009 Number	2008 Number
Electricity distribution	83	75

There are no employees of the Company.

5. INVESTMENT INCOME

	Year ended 31 March 2009 £m	Year ended 31 March 2009 £m	Period ended 31 March 2008 £m	Period ended 31 March 2008 £m
Interest receivable on short-term bank deposits held at amortised cost		3.3		0.6
Interest receivable on derivative instruments		1.5		-
Expected return on pension scheme assets	47.7		16.7	
Interest cost on pension scheme obligations	(50.0)		(15.5)	
Net pension interest (expense)/income		(2.3)		1.2
		2.5		1.8

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

6. FINANCE EXPENSE

	Year ended 31 March 2009 £m	Year ended 31 March 2009 £m	Period ended 31 March 2008 £m	Period ended 31 March 2008 £m
Interest payable				
Interest payable on bank borrowings	0.2		9.3	
Interest payable on borrowings held at amortised cost	49.0		5.7	
Interest payable on bank borrowings at fair value	22.2		8.3	
Other finance charges related to index linked bonds	5.4		0.3	
Interest payable to Group undertakings	30.2		9.5	
		<u>107.0</u>		<u>33.1</u>
Fair value (gains)/losses on financial instruments				
Derivatives designated at fair value through profit and loss	39.9		(3.4)	
Borrowings designated at fair value through profit and loss	(13.6)		(18.8)	
		<u>26.3</u>		<u>(22.2)</u>
		<u>133.3</u>		<u>10.9</u>

In respect of the total movement in the fair value of financial liabilities designated at fair value through profit or loss of £13.6m loss (2008: £18.8m loss), £44.3m gain (2008: £17.3m) is attributable to changes in credit risk, partially offset by changes due to interest rate movements.

7. TAXATION

	Year ended 31 March 2009 £m	Period ended 31 March 2008 Restated (see note 1) £m
Current tax:		
UK corporation tax	12.9	10.1
Deferred tax (note 19):		
Current period	5.7	1.6
	<u>18.6</u>	<u>11.7</u>

Corporation tax is calculated at 28% (2008:30%) of the estimated assessable profit for the period.

The change in the applicable tax rate from 30% to 28% reflects the reduction in UK Corporation Tax enacted in the Finance Act 2008

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

7. TAXATION (continued)

The table below reconciles the notional tax charge at the UK corporation tax rate to the effective tax rate for the period:

	Year ended 31 March 2009 £m	Year ended 31 March 2009 %	Period ended 31 March 2008 Restated (see note 1) £m	Period ended 31 March 2008 Restated (see note 1) %
Profit before tax	40.4		44.5	
Tax at the UK corporation tax rate of 28% (2008: 30%)	11.3	28.0	13.4	30.0
Non-taxable income	(1.2)	(3.0)	(1.7)	(3.8)
Impact from withdrawal of IBA allowances	8.5	21.0	-	-
	<u>18.6</u>	<u>46.0</u>	<u>11.7</u>	<u>26.2</u>

In addition to the amount charged to the income statement, deferred tax relating to actuarial losses on defined benefits schemes of £23.7m (2008: £6.0m) was also credited to the statement of recognised income and expense under IAS 19 and IFRIC 14.

8. DIVIDENDS

Amounts recognised as distributions to equity holders in the year comprise:

	2009 £m	2008 £m
Interim dividends for the year ended 31 March 2009 of £5.23 per share (period ended 31 March 2008: £nil per share)	15.7	-
	<u>15.7</u>	<u>-</u>

The Company has not proposed a final dividend for the year ended 31 March 2009.

9. DIRECTORS AND THEIR INTERESTS

No directors received any remuneration in respect of services to the Company for the year ended 31 March 2009 (2008: £nil) but certain directors were remunerated from the ultimate parent undertaking or subsidiary undertakings.

S Johnson and M Sugden were remunerated from Electricity North West Limited (ENW), a subsidiary of the Group of which they are also directors. The aggregate remuneration of the directors during the period in which they have also been directors of the Company was £245,355. Emoluments comprise salaries, fees, taxable benefits and the value of short-term incentive awards. A Pena and M Nagle are remunerated by the ultimate parent undertaking.

M Sugden is a member of, and contributes to, the Electricity Supply Pension Scheme, a defined benefit scheme which provides on normal retirement at the age of 60 a pension equal to 1/80th of pensionable earnings for each completed year of service (plus 3/80th cash). Early retirement is possible from the age of 50 if the Company agrees. S Johnson is a member of the company defined contribution scheme. None of the other directors contribute to any of the pension schemes within the Group.

As at 31 March 2009 the directors have no interests in the ordinary shares of North West Electricity Networks Limited or any subsidiary companies within the Group.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

10. INTANGIBLE ASSETS

Group	Software £m	Licence £m	Assets in course of construction £m	Total £m
Cost				
At incorporation	-	-	-	-
Acquired with subsidiaries (note 27)	33.5	-	0.6	34.1
Adjustments in respect of acquisitions in 2008 (note 27)	-	186.9	-	186.9
Transfers	0.1	-	(0.1)	-
Disposals	-	-	(0.2)	(0.2)
At 31 March 2008 (restated)	<u>33.6</u>	<u>186.9</u>	<u>0.3</u>	<u>220.8</u>
Additions	-	-	2.0	2.0
Transfers	0.9	-	(0.9)	-
At 31 March 2009	<u><u>34.5</u></u>	<u><u>186.9</u></u>	<u><u>1.4</u></u>	<u><u>222.8</u></u>
Amortisation				
At incorporation	-	-	-	-
Acquired with subsidiaries (note 27)	12.3	-	-	12.3
Charge for the period	1.0	-	-	1.0
At 31 March 2008	<u>13.3</u>	<u>-</u>	<u>-</u>	<u>13.3</u>
Charge for the year	3.3	-	-	3.3
At 31 March 2009	<u><u>16.6</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>16.6</u></u>
Net book value at 31 March 2009	<u><u>17.9</u></u>	<u><u>186.9</u></u>	<u><u>1.3</u></u>	<u><u>206.2</u></u>
Net book value at 31 March 2008 (restated)	<u>20.3</u>	<u>186.9</u>	<u>0.3</u>	<u>207.5</u>

The licence held by the Group to transmit and distribute electricity is viewed as having an indefinite life as the directors' believe the licence would only be revoked if there were a serious breach of the terms and conditions of the licence. The licence is held subject to 25 years' notice in writing from the Authority to the licensee.

The Group tests annually for impairment or more frequently if there are indications that intangible assets with indefinite lives might be impaired. The recoverable amounts of the cash generating units (CGUs) are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates and the outcomes of future Ofgem price control settlements.

The Group prepares cash flow forecasts the period up to 31 March 2015 and have extrapolated the cash flows into perpetuity. The rate used to discount cash flows was 9.5% and reflects the level of risk associated with the cash flows generated from the licence and is based on a premium over the internal rate of return, taking into account the regulatory return on tangible assets.

At 31 March 2009, the Group had entered into contractual commitments for the acquisition of intangible assets amounting to £nil (2008:£0.1m).

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

11. PROPERTY, PLANT AND EQUIPMENT

Group	Operational structures £m	Non operational land and buildings £m	Fixtures and equipment, vehicles and other £m	Assets in course of construction £m	Total £m
Cost					
Cost at incorporation	-	-	-	-	-
Acquired with subsidiaries (note 27)	2,733.9	12.4	25.9	184.3	2,956.5
Adjustments in respect of acquisitions in 2008 (note 27)	(188.0)	-	-	-	(188.0)
Additions	62.2	0.4	0.3	-	62.9
Transfers	15.3	0.1	(13.8)	(1.6)	-
Disposals	(0.6)	(0.4)	(3.2)	-	(4.2)
At 31 March 2008 (restated)	2,622.8	12.5	9.2	182.7	2,827.2
Additions	87.1	0.2	1.5	93.5	182.3
Transfers	83.6	(0.2)	2.4	(85.8)	-
Disposals	(9.3)	(1.3)	(1.4)	-	(12.0)
At 31 March 2009	2,784.2	11.2	11.7	190.4	2,997.5
Depreciation					
Depreciation at incorporation	-	-	-	-	-
Acquired with subsidiaries (note 27)	807.2	2.5	21.3	-	831.0
Charge for the period	17.5	0.5	-	-	18.0
Adjustments in respect of acquisitions in 2008 (note 27)	(1.0)	-	-	-	(1.0)
Transfers	9.5	1.4	(10.9)	-	-
Disposals	(0.6)	(0.5)	(3.1)	-	(4.2)
At 31 March 2008 (restated)	832.6	3.9	7.3	-	843.8
Charge for the year	62.0	0.9	0.9	-	63.8
Disposals	(9.3)	(1.3)	(1.4)	-	(12.0)
At 31 March 2009	885.3	3.5	6.8	-	895.6
Net book value at 31 March 2009	1,898.9	7.7	4.9	190.4	2,101.9
Net book value at 31 March 2008 (restated)	1,790.2	8.6	1.9	182.7	1,983.4

At 31 March 2009, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £47.5m (2008:£35.2m).

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

12. INVESTMENTS

	2009
	Company
	£m
Cost	
At incorporation	-
Additions in 2008 (note 27)	1,145.7
	1,145.7
At 31 March 2008 and 31 March 2009	1,145.7

All acquisition information is shown in note 27.

Details of the investments at 31 March 2009 are as follows:

Company

Subsidiary undertaking	Description of holding	Proportion held	Nature of business
Electricity North West Limited	Ordinary shares of 50p each	100%	Energy distribution

Group

Subsidiary undertaking	Description of holding	Proportion held	Nature of business
NB Property and Estate Services No. 1 Limited	Ordinary shares of £1 each	100%	Dormant
NB Leasing Limited	Ordinary shares of £1 each	100%	Dormant
NB (Miles Platting Community Project) Limited	Ordinary shares of £1 each	100%	Dormant
ENW (ESPS) Pensions Trustees Limited	Ordinary shares of £1 each	100%	Non trading

Other investments	Description of holding	Proportion held	Nature of business
ESN Holdings Limited	Ordinary shares of £1 each	6.20%	Investment company
National Grid plc	Ordinary shares of 11.76p each	Negligible	Energy distribution

Associated undertaking	Description of holding	Proportion held	Nature of business
Nor.Web Limited	Ordinary shares of £1 each	50%	Dormant

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

13. TRADE AND OTHER RECEIVABLES

	Group 2009 £m	Company 2009 £m	Group 2008 £m	Company 2008 £m
Trade receivables	1.6	-	1.4	-
Amounts owed by group undertakings	-	35.6	-	5.3
Prepayments and accrued income	42.4	-	33.0	0.5
	<u>44.0</u>	<u>35.6</u>	<u>34.4</u>	<u>5.8</u>

Trade receivables do not carry interest and are stated net of allowances for doubtful receivables of £0.6m (2008: £nil) estimated by management based on known specific circumstances, past default experience and their assessment of the current economic environment.

The average credit period taken on sales is 14.0 days (2008: 14.0 days).

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. The majority of balances are less than 45 days past due; a balance of £882,000 is greater than 45 days past due at 31 March 2009 (2008: £30,000), against which an allowance for doubtful debt of £596,000 (2008: £nil) has been made.

The movement on the provision for impairment of trade receivables is as follows:

	Group 2009 £m	Company 2009 £m	Group 2008 £m	Company 2008 £m
Balance at beginning of year	-	-	-	-
Charged to income statement	0.6	-	-	-
	<u>0.6</u>	<u>-</u>	<u>-</u>	<u>-</u>

Trade receivables comprise 30 (2008: 28) individual customers and 56% (2007: 41%) of the trade receivables balance above relates to the regulated provision of infrastructure to electricity retail companies. The Group is required by the regulator to accept any company that has obtained a trading licence regardless of their credit status. To mitigate the risk posed by this, all transactions with customers are governed by a contract which all customers are required by the regulator to sign and adhere to the terms.

Under the terms of the contract, the maximum unsecured credit that the Group may be required to give is 2% of the Regulatory Asset Value (RAV) of Electricity North West Limited. In addition the contract makes provisions for the credit quality of customers and adjusts the credit value available to them based on credit ratings and payment history. Where a customer exceeds their agreed credit level under the contract the customer must provide collateral to mitigate the increased risk posed. At the year end £2.9m (2008: £2.8m) of cash had been received as security.

The allowed RAV is set by the regulator for each year of the current price review period (April 2005 – March 2010) and is £1,263m for the year ended 31 March 2009 (2008: £1,242m).

At the year end £70.4m (2008: £64.6m) of unsecured credit limits had been granted to customers and the highest unsecured credit limit given to any single customer was £9.5m (2008: £8.7m). All of the customers granted credit of this level must have a credit rating of at least A- from Standard and Poors and A3 from Moodys or a guarantee from a parent company of the same rating level. Alternatively, the customer must be able to prove their creditworthiness on an ongoing basis.

Of the trade receivables, 17.2% (2008: 0%) are past due but not impaired.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

14. CASH AND CASH EQUIVALENTS NET OF BANK OVERDRAFTS

	Group 2009 £m	Company 2009 £m	Group 2008 £m	Company 2008 £m
Short-term bank deposits	42.3	5.6	101.7	1.4
Bank overdrafts (note 15)	-	-	(0.2)	-
	<u>42.3</u>	<u>5.6</u>	<u>101.5</u>	<u>1.4</u>

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less, net of bank overdrafts which are payable on demand.

The effective interest rate on short term deposits was 4.05% (2008:5.81%) and these deposits had an average maturity of 8.2 days (2008:8.5 days).

15. BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate risk and liquidity risk see note 16.

	Group 2009 £m	Company 2009 £m	Group 2008 £m	Company 2008 £m
Non-current liabilities				
Bank and other term borrowings	496.9	496.9	458.7	458.7
Bonds	611.3	-	617.7	-
	<u>1,108.2</u>	<u>496.9</u>	<u>1,076.4</u>	<u>458.7</u>
Current liabilities				
Bank overdrafts	-	-	0.2	-
Amounts owed to parent undertaking (note 17)	667.5	667.1	693.4	693.4
	<u>667.5</u>	<u>667.1</u>	<u>693.6</u>	<u>693.4</u>
	<u>1,775.7</u>	<u>1,164.0</u>	<u>1,770.0</u>	<u>1,152.2</u>

All loans and borrowings are unsecured. Intercompany borrowings are repayable on demand. There is no formal bank overdraft facility in place at 31 March 2009. All amounts are in sterling.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

15. BORROWINGS (Continued)

Carrying value by category

The carrying values by category of financial instruments were as follows:

		Group 2009	Company 2009	Group 2008	Company 2008
	Year of maturity	Carrying value £m	Carrying value £m	Carrying value £m	Carrying value £m
Borrowings designated at fair value through profit and loss					
8.875% £250m bond	2026	302.1	-	315.7	-
Borrowings measured at amortised cost					
8.875% £200m bond	2026	196.8	-	195.0	-
1.4746%+RPI ¹ £100m index-linked bond	2046	112.4	-	107.0	-
Long term loans at LIBOR plus 0.55%	2010	496.9	496.9	458.7	458.7
Bank overdraft	2009	-	-	0.2	-
Other financial liabilities held at amortised cost					
Trade payables (note 17)	2009	32.2	-	26.4	-
Amounts owed to parent undertaking (note 17)	2009	667.5	667.1	693.4	693.4
		<u>1,807.9</u>	<u>1,164.0</u>	<u>1,796.4</u>	<u>1,152.1</u>

¹ RPI - Retail Price Index – the UK general index of retail prices (for all items) as published by the Office of National Statistics.

The terms of the Group borrowings are disclosed in note 26. The fair values of the Group's financial instruments are shown in note 16.

Borrowing facilities

The Group had £148.8m (2008:£184.0m) in unutilised committed bank facilities at 31 March 2009 of which £143.8m (2008:£nil) expires after one year but less than two years and £5.0m (2008:£30.0m) expires in more than two years.

16. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity in another entity. The Group uses financial instruments to invest liquid asset balances, raise funding and manage the risks arising from its operations.

The principal risks which the Group is exposed to and which arise in the normal course of business include credit, liquidity and market risk, in particular interest rate risk. Derivatives are used to hedge exposure to fluctuations in interest rates. A derivative is a financial instrument, the value of which changes in response to some underlying variable (e.g. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

The Board has authorised the use of derivatives by the Group to reduce the risk of loss arising from changes in market risks, and for economic hedging reasons.

The accounting policy for derivatives is provided in note 1.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

16. FINANCIAL INSTRUMENTS (continued)

Control over financial instruments

The Group has a formal risk management structure, which includes the use of risk limits, reporting and monitoring requirements, mandates, and other control procedures. It is currently the responsibility of the Board to set and approve the risk management procedures and controls.

Financial instruments entered in the year

In addition to the interest rate swaps held at 31 March 2008 which have a fair value of £43.2m at 31 March 2009, the following derivative financial instruments have been entered into:

Inflation linked swap

The Group entered into an inflation linked swap during the year, with a notional principal value of £170m, under which the Group pays RPI adjusted fixed interest and receives floating LIBOR. The swap has an underlying 30 year term, with a mandatory break clause in 2011. The swap was entered into to hedge a proposed £170m inflation linked bond issue, with a 30 year maturity. This derivative does not qualify for hedge accounting and has been accounted for at fair value through profit and loss, with all movements reflected in the income statement. At 31 March 2009, the fair value of this instrument was £35.4m (liability).

Gilt lock swaps

The Group entered two gilt lock futures contracts during the year, with notional principal totalling £200m. These instruments are linked to 10 year benchmark gilts and mature in June 2009. They were entered to hedge a proposed £295m fixed rate bond issue, with a 10 year maturity, and provide certainty over the gilt rate element of the bond coupon, covering the first £200m of the proposed £295m bond issue. These derivatives do not qualify for hedge accounting and all movements in fair value are reflected in the income statement. At 31 March 2009, the aggregate fair value of these instruments was £34.5m (liability). The group continues to monitor the effectiveness of this hedge in relation to the re-financing process.

Forward start interest rate swaps

The Group entered into five forward start interest rate swaps during the year, with notional principal totalling £121.0m. These derivative instruments were taken out to hedge the Group's interest rate risk exposure to a £121.0m floating rate bank loan and pay a fixed rate, averaging 3.4652%, and receive a floating rate. These derivatives have been designated in a formal hedge relationship and meet all the IAS 39 criteria for cash flow hedge accounting. To the extent that the hedging relationship is determined to be effective, the change in fair value of the derivative financial instruments is recognised directly in equity, with any ineffective portion of the gain or loss being recognised in the income statement. At 31 March 2009, the aggregate fair value of these instruments was £0.1m (liability) and has been recognised in equity.

Market risk management

The primary financial risk faced by the Group is interest rate risk. The Board is required to review and approve policies for managing this risk on an annual basis. The Electricity North West Limited's treasury function, which is authorised to conduct the day-to-day treasury activities of the Group, reports on a regular basis (at least annually) to the Board. Since the acquisition of Electricity North West Limited, the Board has approved all new derivative financial instruments entered into.

All of the Group's activities involve analysis, acceptance and management of some degree of risk or combination of risks. The most important types of financial risk are credit risk, liquidity risk and market risk. Market risk includes foreign exchange, interest rate, inflation (RPI) and equity price risks. The Group has no exposure to foreign exchange risk and limited exposure to inflation (RPI) due the Group's high proportion of inflation linked revenues.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and limits continually by means of reliable and up to date systems. The Group modifies and enhances its risk management policies and systems to reflect changes in markets and products. The Audit Committee is responsible for independently overseeing the activities in relation to Group risk management.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

16. FINANCIAL INSTRUMENTS (continued)

Credit risk

The Group takes on exposure to credit risk, which is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract as they fall due. It arises principally from lending, trade finance, and treasury activities. The Group has dedicated standards, policies and procedures to control and monitor all such risks.

The counterparties under treasury activities consist of financial institutions. In accordance with IAS 39, the directors have considered and quantified the exposure of the Group to counterparty credit risk and do not consider there to be a material credit risk adjustment required. The exposure to counterparty credit risk will continue to be monitored. The Group is potentially exposed to credit loss in the event of non-performance by counterparties, although such credit risk is controlled through credit rating reviews of the counterparties and by limiting the total amount of exposure to any one party. Management does not anticipate any counterparty will fail to meet its obligations.

Significant changes in the economy or in the utilities sector could result in losses not necessarily provided for at the balance sheet date. With only a small number of customers (2009: 30, 2008: 28), the creditworthiness of each of these is closely monitored. Whilst the loss of one customer could have significant credit loss issues to the Group due to the small customer base, the exposure to such credit losses would be mitigated in most cases by the protection the regulator provides to cover such losses. Nonetheless, the credit management process must be closely adhered to, to avoid such circumstances, and the Group's management therefore closely monitor adherence to this process.

a) Trade receivables

Credit risk in relation to trade receivables is considered to be relatively low, due to the small number of customers, and the fact that each customer has a contract in place with the Group, and is required to provide collateral in the form of a cash deposit subject to the amounts due and their credit rating. At 31 March 2009 there was £0.9m receivables past due (2008: £nil) against which an allowance for doubtful debts of £0.6m has been made (2008: £nil).

b) Treasury investments

The directors do not believe that the Group is exposed to any material concentrations of credit risk in relation to Treasury investments (including both amounts placed on deposit with counterparties and asset interest rate swaps). As at 31 March 2009 none (2008: none) of the Group's treasury portfolio exposure was either past due or impaired, and no terms had been renegotiated with any counterparty. The Group has limits in place to ensure counterparties have a certain minimum credit rating, and individual exposure limits to ensure there is no concentration of credit risk.

The table below provides details of the ratings of the Group's treasury portfolio:

Credit Rating	2009	2009	2008	2008
	£m	%	£m	%
AA+	-	-	1.2	1.0
AA	6.8	8.0	104.2	99.0
A+	59.7	69.8	-	-
A	19.0	22.2	-	-
	85.5	100.0	105.4	100.0

No collateral is held in relation to Treasury assets.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

16. FINANCIAL INSTRUMENTS (continued)

Exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives, in the balance sheet. For trade receivables, the value is net of any collateral held in cash deposits (please refer to note 14 for further details).

Credit risk by class	2009	2009	2008	2008
	Group £m	Company £m	Group £m	Company £m
Trade receivables	1.6	-	1.4	-
Interest rate swaps (Assets)	43.2	-	5.6	0.5
Cash and cash equivalents	42.3	5.6	101.7	1.4
Total	87.1	5.6	108.7	1.9

Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet the obligations or commitments associated with its financial instruments, as they fall due. The Group manages the liquidity profile of its assets, liabilities and commitments so that cashflows are appropriately balanced and all funding obligations are met when due. This is achieved through maintaining a prudent level of liquid assets, and arranging funding facilities.

The Board is responsible for monitoring the maturity of liquidity and deposit funding balances and advising on any action to be taken as appropriate. A long-term view of liquidity is provided by the Business Plan, which is updated annually and projects cashflows out 40 years ahead, and a medium-term view is provided by the outputs of the five-year regulatory review process. Shorter-term liquidity is monitored via an 18 month liquidity projection and this is reported to the Board at least quarterly. The board approves a liquidity framework within which the business operates.

The Group largely manages all of its financing cashflows over the observed five-year regulatory period; the Group uses economic hedges to ensure that certain cash flows can be matched and, where all criteria are met, management uses hedge accounting to account for these.

The following is an analysis of gross contractual cash flows payable under financial liabilities and derivative financial instruments.

Group	On demand	<1 year	1-2 years	2-3 years	3-4 years	>4 years
As at 31 March 2009	£m	£m	£m	£m	£m	£m
Trade payables	32.2	-	-	-	-	-
Amount owed to parent undertaking	667.5	-	-	-	-	-
Derivative financial instruments (net)	-	31.1	(9.3)	27.7	(7.1)	(125.1)
Borrowings and overdrafts	-	53.8	551.8	41.5	41.5	1,120.8
	699.7	84.9	542.5	69.2	34.4	995.7
As at 31 March 2008						
Trade payables	26.4	-	-	-	-	-
Amount owed to parent undertaking	693.4	-	-	-	-	-
Derivative financial instruments (net)	0.5	-	-	-	-	-
Borrowings and overdrafts	1.2	71.3	71.3	528.9	41.6	1,142.2
	721.5	71.3	71.3	528.9	41.6	1,142.2

NORTH WEST ELECTRICITY NETWORKS LIMITED

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For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

16. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk (continued)

Company	On demand	<1 year	1-2 years	2-3 years	3-4 years	>4 years
As at 31 March 2009	£m	£m	£m	£m	£m	£m
Trade payables	-	-	-	-	-	-
Amount owed to parent undertaking	667.1	-	-	-	-	-
Derivative financial instruments (net)	-	34.5	-	-	-	-
Borrowings and overdrafts	-	12.2	510.3	-	-	-
	<u>667.1</u>	<u>46.7</u>	<u>510.3</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 March 2008						
Trade payables	-	-	-	-	-	-
Amount owed to parent undertaking	693.4	-	-	-	-	-
Derivative financial instruments (net)	-	-	-	-	-	-
Borrowings and overdrafts	1.0	29.7	29.7	487.3	-	-
	<u>694.4</u>	<u>29.7</u>	<u>29.7</u>	<u>487.3</u>	<u>-</u>	<u>-</u>

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices include foreign exchange rates, interest rates, inflation (RPI), equity and commodity prices. The main type of market risk to which the Group is exposed is interest rate risk. The Group has very little foreign exchange and equity exposure. The management of market risk is undertaken using risk limits approved by the finance director under delegated authority.

The Group borrows in the major global debt markets at both fixed and floating rates of interest, using derivatives, where appropriate, to generate the desired effective interest basis.

The following sensitivity analysis is used by Group management to monitor interest rate risk. The analysis below shows forward-looking projections of market risk assuming certain adverse market conditions occur. The sensitivity figures are calculated based on upward parallel shifts of 1% and 3% in the yield curve.

Sensitivity Analysis	Year ended 31 March 2009		Period ended 31 March 2008	
	<i>+1% change in interest rates</i>	<i>+3% change in interest rates</i>	<i>+1% change in interest rates</i>	<i>+3% change in interest rates</i>
	£m	£m	£m	£m
Debt held at fair value	27.9	73.6	29.8	78.4
Interest rate swaps	(18.8)	(41.6)	(26.4)	(67.8)
Total fair value movement	<u>9.1</u>	<u>32.0</u>	<u>3.4</u>	<u>10.6</u>

The sensitivity analysis above shows the amount by which the fair value of items recorded on the balance sheet at fair value would be adjusted by. As such fair value movements are taken through the income statement; there would be a corresponding adjustment to profit in these scenarios. However, there would be no cash flow impact arising from these adjustments.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

16. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Although the above measures provide indication of the Group's exposure to market risk, such measures are limited in that historical data is not necessarily a good guide to future events, and exposures are calculated on static balance sheet positions, and therefore future changes in the structure of the balance sheet are ignored.

The Group has an inflation linked bond held on its balance sheet, as inflation is the key driver of future earnings. Whilst management does not formally monitor the sensitivity to changes in inflation (RPI rates), it is estimated that a 1% increase in inflation would lead to a £1.2m (2008:£1.6m) decrease in profits.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate borrowings are exposed to a risk of change in cashflows due to changes in interest rates. The Group uses interest rate swaps to hedge these exposures. Investments in short-term receivables and payables are not exposed to interest rate risk.

Under an interest rate swap, the Group agrees with another party to exchange at specific intervals the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. The notional principal of these instruments reflects the extent of the Group's involvement in the instruments, but does not represent its exposure to credit risk, which is assessed by reference to the fair value.

Interest rate swaps mature between 2010 and 2026. Swaps are executed in conjunction with bond issues to ensure that the combined cashflows approximate to floating sterling. In these cases, interest on the swap is received to coincide with bond interest payments which are generally annual or semi-annual on fixed rate bonds. Interest received on these swaps will match the nominal interest paid on the bonds. The floating side payable on these swaps will generally occur semi-annually. Additionally, swaps are executed to fix floating rate cashflows over the regulatory period. Cashflows on these regulatory swaps will coincide with the floating cashflow they are intended to fix.

Currency risk

The Group makes no significant sales or purchases in currencies other than its functional currency. Accordingly, the Group has no material unhedged foreign currency exposures.

Hedging

The Group does not use derivative financial instruments for speculative purposes, and has not pledged collateral in relation to any of its derivative instruments.

The Group's derivatives are designated in effective hedging relationships where all the criteria under IAS 39 are met, and otherwise are measured at fair value through profit or loss.

Fair values

The tables below provide a comparison of the book and fair values of the Group's financial instruments by category as at the balance sheet date. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest rates.

For cash and cash equivalents, trade and other receivables, trade and other payables and short-term loans and receivables with a maturity of less than one year the book values approximate the fair values because of their short-term nature. For non-public long term loans and receivables, fair values are estimated by discounting future contractual cash flows to net present values using current market interest rates available to the Group for similar financial instruments as at period end.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

16. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Financial assets:	Group	Group	Company	Company
2009	£m	£m	£m	£m
<i>Current assets:</i>				
Cash and cash equivalents	42.3	42.3	5.6	5.6
Derivative financial instruments - held for sale trading swaps	43.2	43.2	-	-
	85.5	85.5	5.6	5.6
	85.5	85.5	5.6	5.6
2008				
<i>Current assets:</i>				
Cash and cash equivalents	101.7	101.7	1.4	1.4
Derivative financial instruments - held for sale trading swaps	5.6	5.6	0.5	0.5
	107.3	107.3	1.9	1.9
	107.3	107.3	1.9	1.9

The carrying value of trade and other receivables approximates to their fair value for both the Group and Company.

2009	Group Carrying value	Group Fair value	Company Carrying value	Company Fair value
	£m	£m	£m	£m
Financial liabilities:				
<i>Non-current liabilities:</i>				
Borrowings designated at fair value through profit and loss	302.1	302.1	-	-
Borrowings measured at amortised cost	806.1	848.6	496.9	496.9
	1,108.2	1,150.7	496.9	496.9
	1,108.2	1,150.7	496.9	496.9
<i>Current liabilities:</i>				
Borrowings - amounts owed to parent undertaking	667.5	667.5	667.1	667.1
Derivative financial instruments - held for trading swaps	79.6	79.6	34.5	34.5
	747.1	747.1	701.6	701.6
	747.1	747.1	701.6	701.6

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

16. FINANCIAL INSTRUMENTS (continued)

2008	Group Carrying value	Group Fair value	Company Carrying value	Company Fair value
	£m	£m	£m	£m
Financial liabilities:				
<i>Non-current liabilities:</i>				
Borrowings designated at fair value through profit and loss	315.7	315.7	-	-
Borrowings measured at amortised cost	760.7	794.4	458.7	458.7
	<u>1,076.4</u>	<u>1,110.1</u>	<u>458.7</u>	<u>458.7</u>
<i>Current liabilities:</i>				
Borrowings - bank overdrafts	0.2	0.2	-	-
Borrowings - amounts owed to parent undertaking	693.4	693.4	693.4	693.4
Derivative financial instruments - held for trading swaps	0.5	0.5	-	-
	<u>694.1</u>	<u>694.1</u>	<u>693.4</u>	<u>693.4</u>

The carrying value of trade and other payables approximates to their fair value for both the Group and Company.

17. TRADE AND OTHER PAYABLES

	Group 2009	Company 2009	Group 2008	Company 2008
	£m	£m	£m	£m
Trade creditors	32.2	-	26.4	-
Amounts owed to parent undertaking	667.5	667.1	693.4	693.4
Other taxation and social security	2.7	-	6.6	-
Consumers' contributions (note 21)	1.4	-	0.6	-
Refundable customer deposits (note 22)	7.9	-	7.2	-
Accruals and deferred income	17.5	1.0	16.9	1.3
	<u>729.2</u>	<u>668.1</u>	<u>751.1</u>	<u>694.7</u>

Trade creditors principally comprise amounts outstanding to United Utilities Electricity Services for capital and operating services provided under the ASA contract. The credit period with UUES is 10 days (2008: 10 days) from receipt of invoice.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

18. RETIREMENT BENEFIT SCHEMES

Group

The Group previously participated in two defined benefit schemes, operated by United Utilities PLC. Under the terms of the separation of Electricity North West Limited and United Utilities Electricity Services Limited, and the subsequent acquisition of Electricity North West Limited by North West Electricity Networks Limited, a new division of the Electricity Supply Pension scheme (ESPS) was established.

The division is split into two sections, the Electricity North West Limited (ENWL) section for defined benefit members of the former ESPS who are now employed by ENWL and the United Utilities Electricity Services Limited (UUES) section for defined benefit members of the former ESPS who are now employed by UUES.

The Group has taken on a contract and assumes the obligation to contribute variable amounts to the defined benefit pension scheme for the UUES section over the life of the ASA contract. In addition, at termination of the contract it is expected that the activities will revert back to the Electricity North West Limited group and members of the UUES section will TUPE back at the same time under Employment Law. As a result the group has accounted for both sections of the ESPS in accordance with IAS 19 'Employee benefits'.

The scheme is closed to new entrants and the Group instead provides defined contribution arrangements for new entrants. The total cost charged to the income statement in relation to the defined contribution scheme was £0.5m (2008: £0.1m) and represents contributions payable to the scheme at rates specified in the rules of the plan.

The last actuarial valuation of the scheme was carried out as at 31 March 2008. This valuation has been projected forward by an independent actuary to take account of the requirements of IAS 19 'Employee Benefits' in order to assess the position at 31 March 2009. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method.

During the year the Group made contributions of £13.2m (2008: £nil) to the defined benefit sections of the scheme. The Group will continue to make payments into the scheme in accordance with the results of the formal actuarial valuation of the Scheme as at 31 March 2008. The Group estimates that contributions for the year ending 31 March 2010 will amount to £13.9 m.

The total defined benefit pension expense for the year was £12.3m million (2008: pension expense £2.8 million). A pension deficit of £27.5 million is included in the balance sheet at 31 March 2009 (2008: surplus of £45.1 million). Information about the pension arrangements for executive directors is contained in note 9.

The main financial assumptions used by the actuary were as follows:

	At 31 March 2009	At 31 March 2008
Discount rate – ENWL	6.50%	6.40%
Discount rate - UUES	6.90%	6.30%
Expected return on assets –ENWL	6.00%	5.70%
Expected return on assets – UUES	7.10%	6.80%
Pensionable salary growth - ENWL	3.80%	4.50%
Pensionable salary growth - UUES	4.30%	4.50%
Pension increases - ENWL	2.90%	3.50%
Pension increases - UUES	3.30%	3.50%
Price inflation – ENWL	2.90%	3.50%
Price inflation - UUES	3.30%	3.50%

Recent studies have shown faster rates of life expectancy improvement than had previously been expected. An allowance has been made for these faster rates of improvements. Studies have also illustrated that mortality rates vary significantly with the location of employees and the nature of their work. These factors have been taken into account in the calculation of the defined benefit obligations of the Group.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

18. RETIREMENT BENEFIT SCHEMES (continued)

The current life expectancies (in years) underlying the value of the accrued pension scheme liabilities for the Group are:

	At 31 March 2009	At 31 March 2008
Life expectancy at age 60:		
Retired member	25.9	25.7
Non-retired member	27.8	28.3

As at 31 March 2009, the Group's share of the fair value of Schemes' assets, together with the liabilities in the Schemes recognised in the balance sheet were as follows:

	Scheme assets at 31 March 2009 %	Value at 31 March 2009 £m	Scheme assets at 31 March 2008 %	Value at 31 March 2008 £m
Equities	37.8	264.8	39.1	328.6
Gilts	21.1	148.0	40.6	341.7
Bonds	40.9	286.3	20.0	168.2
Cash	0.2	1.4	0.3	2.9
Total fair value of assets	100.0	700.5	100.0	841.4
Present value of liabilities		(728.0)		(796.3)
Net retirement benefit (obligation)/surplus		(27.5)		45.1

To develop the expected long-term rate of return on assets assumption, the Group considered the level of expected returns on risk-free investments, the historical level of the risk premium associated with the other asset class in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term return on assets assumption for the portfolio. The actual return on Scheme assets for the schemes was £104.8 million loss (2008:£22.9m loss). None of the pension scheme assets are held in the Group's own financial instruments or property occupied by, or assets used by the Group.

Movements in the present value of the defined benefit obligations are as follows:

	2009 £m	2008 £m
At 1 April/incorporation	(796.3)	-
Acquired with subsidiary (note 27)	-	(816.5)
Current service cost	(8.0)	(2.8)
Interest cost on scheme obligations	(50.0)	(15.5)
Member contributions	(2.1)	(0.7)
Past service cost	(2.0)	-
Actuarial gains	79.0	23.4
Benefits paid	51.4	15.8
At 31 March	(728.0)	(796.3)

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

18. RETIREMENT BENEFIT SCHEMES (continued)

Movements in the fair value of the Schemes' assets were as follows:

	2009 £m	2008 £m
At 1 April/ incorporation	841.4	-
Acquired with subsidiary (note 27)	-	879.4
Expected return on scheme assets	47.7	16.7
Actuarial losses	(152.5)	(39.6)
Member contributions	13.2	0.7
Company contributions	2.1	-
Benefits paid	(51.4)	(15.8)
	<u>700.5</u>	<u>841.4</u>
At 31 March	<u>700.5</u>	<u>841.4</u>

The net pension expense before taxation recognised in the income statement in respect of the defined benefit Schemes is summarised as follows:

	2009 £m	2008 £m
Current service cost	(8.0)	(2.8)
Past service cost	(2.0)	-
Expected return on scheme assets	47.7	16.7
Interest on scheme obligations	(50.0)	(15.5)
	<u>(12.3)</u>	<u>(1.6)</u>
Net pension expense before taxation	<u>(12.3)</u>	<u>(1.6)</u>

The above amounts are recognised in arriving at operating profit except for expected return on scheme assets and interest on scheme obligations which have been recognised within investment income.

The reconciliation of the opening and closing balance sheet position is as follows:

	2009 £m	2008 £m
At 1 April / incorporation	45.1	-
Acquired with subsidiary (note 27)	-	62.9
Expense recognised in the income statement	(12.3)	(1.6)
Contributions paid	13.2	-
Net actuarial loss gross of taxation	(73.5)	(16.2)
	<u>(27.5)</u>	<u>45.1</u>
At 31 March	<u>(27.5)</u>	<u>45.1</u>

Actuarial gains and losses are recognised directly in the statement of recognised income and expense. At 31 March 2009, a cumulative loss of £89.7m (2008:£16.2m) had been recorded directly in the statement of recognised income and expense.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

18. RETIREMENT BENEFIT SCHEMES (continued)

The history of the Schemes for the current and prior years is as follows:

	2009 £m	2008 £m
Present value of defined benefit obligation	(728.0)	(796.3)
Fair value of schemes' assets	<u>700.5</u>	<u>841.4</u>
Net retirement benefit (obligation)/surplus	<u>(27.5)</u>	<u>45.1</u>
Experience adjustments on schemes' liabilities	0.8	-
Experience adjustments on schemes' assets	(152.5)	(39.6)

19. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and Company, and the movements thereon, during the current reporting period.

Group	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At incorporation	-	-	-	-
Acquired with subsidiaries (note 27)	455.6	21.8	(4.0)	473.4
(Credited)/charged to the income statement	(4.3)	-	5.6	1.3
Credited to equity for the period	-	(6.0)	-	(6.0)
Adjustment made in respect of acquisition of subsidiaries in 2008 (see note 1)	(0.8)	-	-	(0.7)
At 31 March 2008 as restated	<u>450.5</u>	<u>15.8</u>	<u>1.6</u>	<u>467.9</u>
Charged/(credited) to the income statement	8.1	0.3	(2.7)	5.7
Credited to equity for the year	-	(23.7)	-	(23.7)
At 31 March 2009	<u>458.6</u>	<u>(7.6)</u>	<u>(1.1)</u>	<u>449.9</u>

Changes to the rules to phase out industrial building allowances were enacted in the Finance Act 2008. The impact of this change resulted has been an increase to the deferred tax liability of £8.5m in the year ended 31 March 2009.

Company

	Other £m	Total £m
At incorporation	-	-
Charged to the income statement	0.1	0.1
At 31 March 2008	<u>0.1</u>	<u>0.1</u>
Credited to the income statement	(0.1)	(0.1)
At 31 March 2009	<u>-</u>	<u>-</u>

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

20. PROVISIONS

Group	2009 Provision £m	2008 Provision £m
Restructuring		
At 1 April / incorporation	2.0	-
Acquired with subsidiaries	-	4.1
Provided in year/period (note 3)	0.3	0.7
Utilisation of provision	(2.3)	(2.8)
	<u> </u>	<u> </u>
At 31 March	<u> </u> -	<u> </u> 2.0

21. CONSUMER CONTRIBUTIONS

Consumer contributions are amounts received from a customer in respect of the provision of a new connection to the network.

Consumer contributions are amortised through the income statement over the lifetime of the relevant asset.

Group	£m
At incorporation	-
Additions during the period	19.9
Amortisation	(0.1)
	<u> </u>
At 31 March 2008	<u> </u> 19.8
	<u> </u>
Additions in the year	32.6
Amortisation	(1.2)
	<u> </u>
At 31 March 2009	<u> </u> 51.2
	<u> </u>
Amounts due in less than one year (see note 17)	1.4
Amounts due after more than one year	49.8
	<u> </u>
	<u> </u> 51.2

22. REFUNDABLE CUSTOMER DEPOSITS

Refundable customer deposits are those consumer contributions which may be in part refundable, dependent on contracted targets.

Group	2009 £m	2008 £m
Amounts due in less than one year (see note 17)	7.9	7.2
Amounts due after more than one year	8.2	10.1
	<u> </u>	<u> </u>

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

23. SHARE CAPITAL

Group and Company	2009 £	2008 £
Authorised:		
3,000,000 ordinary shares of £1 each	3,000,000	3,000,000
	<u>3,000,000</u>	<u>3,000,000</u>
	2009 £	2008 £
Allotted, called up and fully paid:		
3,000,000 ordinary shares of £1 each	3,000,000	3,000,000
	<u>3,000,000</u>	<u>3,000,000</u>

24. SHAREHOLDER'S EQUITY

Group	Called up share capital £m	Retained earnings £m	Total £m
At Incorporation	-	-	-
New share capital issued	3.0	-	3.0
Profit for the period	-	32.1	32.1
Post employment benefits: Post tax actuarial losses on defined benefit schemes	-	(10.2)	(10.2)
Adjustment in respect of acquisition of subsidiaries in 2008	-	0.7	1.7
At 31 March 2008 as restated	<u>3.0</u>	<u>22.6</u>	<u>25.6</u>
Profit for the period	-	21.8	21.8
Dividends paid	-	(15.7)	(15.7)
Post employment benefits: Post tax actuarial losses on defined benefit schemes	-	(49.8)	(49.8)
At 31 March 2009	<u>3.0</u>	<u>(21.1)</u>	<u>(18.1)</u>

As allowed by section 230(4) of the Companies Act 1985, the Company has not presented its own income statement. The amount of Group profit after tax for the financial period dealt with in the Company's income statement is £3.2m (2008:£14.1m loss).

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

24. SHAREHOLDER'S EQUITY (continued)

Company	Called up share capital £m	Retained deficit £m	Total £m
At Incorporation	-	-	-
New share capital issued	3.0	-	3.0
Loss for the period	-	(14.1)	(14.1)
Dividends received	-	11.0	11.0
	<hr/>	<hr/>	<hr/>
At 31 March 2008	3.0	(3.1)	(0.1)
	<hr/>	<hr/>	<hr/>
Profit for the year	-	3.2	3.2
Dividends paid	-	(15.7)	(15.7)
	<hr/>	<hr/>	<hr/>
At 31 March 2009	3.0	(15.6)	(12.6)
	<hr/>	<hr/>	<hr/>

25. OPERATING LEASES

The Group is committed to making the following payments over the lifetime of the lease in respect of non-cancellable operating leases which expire in:

	Land and buildings 2009 £m	Plant and machinery 2009 £m	Land and buildings 2008 £m	Plant and machinery 2008 £m
Within one year	0.7	0.1	1.1	0.1
In the second to fifth years inclusive	2.0	0.4	4.2	0.4
After five years	1.5	2.9	5.5	2.8
	<hr/>	<hr/>	<hr/>	<hr/>
	4.2	3.4	10.8	3.3
	<hr/>	<hr/>	<hr/>	<hr/>

The Company does not hold any non-cancellable operating leases as at the 31 March 2009 (2008:Nil).

26. RELATED PARTY TRANSACTIONS

Group and Company

Loans are made between companies in the North West Electricity Networks (Jersey) Group on which varying rates of interest are chargeable. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

26. RELATED PARTY TRANSACTIONS (continued)

During the period, group companies entered into the following transactions with related parties who are not members of the Group:

	2009	2008
	£m	£m
Interest paid	30.2	9.5
Loans from related parties	655.5	687.3
	655.5	687.3

The loans from related parties comprise amounts loaned from the immediate parent undertaking, North West Electricity Networks (Holdings) Limited. £200.0 million carries interest at 10% per annum, £327.0 million is interest free, £119.0 million carries interest at LIBOR plus 1.75% and other amounts are loaned at LIBOR plus 1.5%. All amounts are all repayable on demand.

The remuneration of directors, who are the key management personnel of the Group, is disclosed in note 9.

Amounts outstanding at 31 March 2009 between the North West Electricity Networks Limited Group and other companies within the Electricity North West Limited Group are provided in notes 13 and 17.

The Company entered into the following transactions with related parties:

	2009	2008
	£m	£m
Loans to Electricity North West Limited	(10.0)	-
Loans from North West Electricity Networks (Holdings) Limited	655.5	687.3
Interest paid	30.2	9.5
	655.5	687.3

The loan to Electricity North West Limited carries interest at LIBOR plus 1.5% and is repayable on demand. The loans from North West Electricity Networks (Holdings) Limited are described above.

27. ACQUISITIONS AND DISPOSALS

There were no acquisitions during the year ended 31 March 2009.

Electricity North West Limited ("ENW")

On 19 December 2007 The Group acquired 100% of the issued share capital of ENW. The acquisition was accounted for by the purchase method of accounting.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

27. ACQUISITIONS AND DISPOSALS (continued)

The initial fair values of the assets and liabilities acquired are as follows;

	Book value £m	Provisional fair value adjustment £m	Adjustments to fair values in 2009 £m	Fair value £m
Intangible Assets	21.8	-	186.9	208.7
Plant, property and equipment	1,924.2	201.3	(188.0)	1,937.5
Pension scheme surplus	24.7	38.2	-	62.9
Trade and other receivables	67.9	-	-	67.9
Cash and cash equivalents	77.9	-	-	77.9
Trade and other payables	(99.1)	21.6	-	(77.5)
Deferred tax liabilities	(316.3)	(157.1)	1.1	(472.3)
Non current liabilities	(364.8)	354.0	-	(10.8)
Long term debt	(658.8)	10.2	-	(648.6)
	677.5	468.2	-	1,145.7
Goodwill			-	-
Total consideration				1,145.7
Satisfied by				
-cash consideration				1,140.0
-costs of acquisition				5.7
				1,145.7
Net cash outflow arising on acquisition				
Cash consideration				1,140.0
Acquisition costs				5.7
Cash and cash equivalents acquired				(77.9)
				1,067.8

The key provisional fair value adjustments made at acquisition relate to:

- the recognition of an increased tangible asset base, including the provisional value attributable to the licence to operate that had not at that time been separately identified;
- the de-recognition of the liability in relation to non-refundable customer contributions; and
- the recognition of deferred tax in relation to the provisional fair value adjustments.

In accordance with IFRS 3 "Business Combinations" the fair value review exercise was completed during the year ended 31 March 2009 and the final adjustments were made to the assets and liabilities acquired to reflect the conditions that existed at the acquisition date. These are set out above and the significant balances relate to the results of an independent valuation of the plant, property and equipment and a separate valuation of the intangible asset in relation to the licence under which ENW operate. The intangible licence has now been separately recognised. The deferred tax impact of these adjustments has also been reflected.

During the period ended 31 March 2008, ENW contributed £98.9 million to revenue and £62.5 million to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009 (Period from 15 November 2007 to 31 March 2008)

28. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is North West Electricity Networks (Holdings) Limited and the ultimate parent undertaking is North West Electricity Networks (Jersey) Limited, a company registered in Jersey. The external address of the ultimate parent company is: Whiteley Chambers, Don Street, St Helier, Jersey, JE4 9WG.

There are two joint ultimate controlling parties, each controlling 50% of the company's shares and voting rights. They are IIF Int'l Holding GP Ltd managed by JP Morgan and Commonwealth Bank of Australia.

29. CASH GENERATED FROM OPERATIONS

	Group	Company	Restated (see note 1)	
	2009	2009	Group	Company
	£m	£m	2008	2008
			£m	£m
Cash generated from operations				
Profit/(loss) before taxation	40.4	(22.6)	44.5	(8.0)
Adjustment for investment income, finance expense and other gains and losses	130.8	22.1	9.1	6.7
Operating profit	171.2	(0.5)	53.6	(1.3)
Adjustments for:				
Depreciation of property, plant and equipment	63.8	-	17.0	-
Amortisation of intangible assets	3.3	-	1.0	-
Amortisation of customer contributions	(1.2)	-	(0.1)	-
Profit on disposal of property, plant and equipment	(0.3)	-	(0.2)	-
Other gains and losses – non capitalised pension costs	(8.7)	-	-	-
Movement in restructuring provision	(2.0)	-	(2.1)	-
Operating cash flows before movement in working capital	226.1	(0.5)	68.0	(1.3)
Changes in working capital				
(Increase)/decrease in trade and other receivables	(9.9)	0.5	21.5	(0.6)
Increase in provisions and payables	1.3	0.1	15.9	0.1
Cash generated from/(used by) continuing operations	217.5	0.1	106.6	(1.8)

**NORTH WEST ELECTRICITY
NETWORKS LIMITED**

**Annual Report and Consolidated Financial
Statements**

**For the period from 15 November 2007 to
31 March 2008**

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2008
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DIRECTORS' REPORT

The directors present their report and the audited financial statements of the North West Electricity Networks Limited Group (the 'Group') for the period from 15 November 2007 to 31 March 2008.

Profit and dividends

The results for the period set out in the income statement on page 7, show that revenue for the period ended 31 March 2008 was £98.9 million. Profit for the period after tax was £32.1 million.

The directors do not recommend a final dividend for the period ended 31 March 2008.

Business review and principal activities

North West Electricity Networks Limited (the 'Company') acts as an intermediary holding company only within the North West Electricity Networks (Jersey) Limited Group and does not conduct any other trading activities.

On 15 November 2007 the company was incorporated under the Companies Act 1985 as a private limited company.

On 19 December 2007 the company acquired the entire share capital of Electricity North West Limited ("ENW") for total cash consideration, including acquisition costs, of £1,145.7m from United Utilities PLC.

The Group's principal activity after the acquisition of ENW is the operation of electricity distribution assets. The distribution of electricity is regulated by the terms of ENW's Electricity Distribution Licence granted under the Electricity Act 1989 and monitored by the Gas and Electricity Markets Authority. There have not been any significant changes in ENW's principal activities in the period following acquisition. The directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year.

Principal risks and uncertainties

The Board considers the following risks to be the principal ones that might affect the Group's performance and results and are in addition to those identified in the ENW accounts.

The principal trade and activities in the Group are carried out in ENW and a comprehensive review of the business model, the regulatory environment, the resources and principal risks and uncertainties facing that Company, and ultimately the Group, are discussed in pages 3-15 of the ENW annual accounts. The key performance indicators on page 15 of the ENW accounts refer to the full year for the acquired business and are supplementary to the key performance indicators referred to below. The main differences that apply to the Group in the post acquisition period are expanded on in this report.

Failure to comply with investor and banking covenants

The Group has a comprehensive set of covenants contained within the legal agreements surrounding the external borrowings. A detailed review of all the covenants has been undertaken and appropriate owners identified within the business who will be responsible for ensuring compliance. A compliance reporting regime has been established and the compliance status is reported to the Board on a monthly basis.

Key performance indicators

The performance of the Group is monitored by the Board of directors by reference to key performance indicators. Performance against these measures, from the date of incorporation to 31 March 2008, are set out in the table below:

<i>Financial</i>	2008
Revenue (£m)	98.9
Operating profit before restructuring charge of £0.7m (£m)	53.3
Profit before tax (£m)	43.5
Interest cover ⁽¹⁾	1.6 times

(1) Interest cover is the number of times the net underlying finance expense is covered by operating profit from continuing operations before restructuring costs. Net underlying interest expense is calculated as the underlying cost of borrowings excluding any pension adjustment and movements in the fair value of debt and derivatives.

DIRECTORS' REPORT (continued)

The Company operates solely as an investment Company and therefore there are no non-financial key performance indicators. For an understanding of the Groups non-financial key performance indicators the annualised non-financial key performance indicators are presented for ENW and are disclosed in the financial statements of that Company.

Liquidity and Capital Resources

The Group's primary source of liquidity is cash generated from its ongoing business operations, and funding raised through external borrowings. The electricity regulator has established price controls to 2010 which will provide certainty for a large majority of the Group's revenues from ongoing operations, providing both a stable and a predictable source of funds. This drives much of the ENW Treasury policy decisions undertaken by management.

During the 2008 financial year, pressures in the money markets and UK economy have put pressure on the availability of funding to many institutions. The Group has limited exposure to such liquidity risk, due to the long-term nature of much of the funding in place. Nonetheless, management continues to monitor liquidity closely.

Treasury policy

The Group's treasury function operates with the delegated authority of, and under policies approved by, the Board. The treasury function does not act as a profit centre and does not undertake any speculative trading activity. It seeks to ensure that sufficient funding is available to meet foreseeable needs and to maintain reasonable headroom for contingencies. Long-term borrowings are structured to match earnings or are indexed to inflation and are subject to regulatory price reviews every five years. Exposures to interest rate movements for the following 12 months, where necessary, are eliminated at the start of each financial year using short-term hedges. The exposure limits with counterparties are reviewed regularly. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The principal risks which the Group is exposed to and which arise in the normal course of business include: credit, liquidity and interest rate risks. Derivatives are used to hedge exposure to fluctuations in interest rates. A derivative is a financial instrument, the value of which changes in response to some underlying variable (e.g. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date. At present, the Group only uses interest rate swaps to hedge balance sheet exposures, and no formal hedge accounting is undertaken.

Debt financing

The Group's borrowings net of cash and short-term deposits of £974.9 million at 31 March 2008 comprised substantially all bonds and loans with long-term maturities. The bonds have nominal value of £450 million at 8.875 per cent that mature in 2026 and £100 million of 1.4746 per cent index linked bonds maturing in 2046, whilst the bank loans currently amounting to £458.7 million mature in 2010.

Shorter-term liquidity

Short-term liquidity requirements are met from the Group's normal operating cashflow. Further liquidity is provided by cash and short-term deposit balances. Cash and short-term deposit balances were £101.7 million at 31 March 2008.

Longer-term liquidity

The Group's term loans were £1,076.4 million at 31 March 2008. Amounts repayable in 2010 comprise bank loans of £458.7 million. Amounts repayable after more than five years comprise bank and other loans. Fixed interest rates for amounts after more than five years are at 8.875 per cent on £510.7 million and £107million of index linked debt was held at 31 March 2008 at an interest rate of 1.4746% plus retail price index (RPI).

At the year end the Group had £30 million of undrawn committed bank facilities with maturity dates of longer than twelve months.

Research and development

The Group is committed to developing innovative, cost-effective and practical solutions for providing high quality services and standards to our customers, and for the benefit of the wider community and the development of the business. It seeks to take as part of this process maximum advantage of wide-ranging expertise, abilities and facilities within the Group.

DIRECTORS' REPORT (continued)

Employees

Employees are key to achieving the business strategy and enhancing shareholder value and as such the Group remains committed to maintaining high standards of health and safety in every area of its business.

The Group is committed to improving its employees' skills through training and development and nurturing a culture in which employees feel valued. The Group encourages employees to work to their full potential and respects the dignity and rights of every employee and supports them in performing various roles in society. The Group also challenges prejudice and stereotyping.

The Group is committed to fulfilling its obligations in accordance with the Disability Discrimination Act 1995 and best practice. As an equal opportunities employer, the Group gives equal consideration to applicants with disabilities in its employment criteria and will modify equipment and working practices wherever it is safe and practical to do so, both for new employees, and for those employees that are disabled during the course of their employment. Additionally, the Group is committed to providing full support and appropriate training for employees who become disabled during the course of their employment, so they can continue to work in a position appropriate to their experience and abilities.

Policy on the payment of creditors

The policy is to pay suppliers according to agreed terms of business. These terms are agreed upon entering into binding contracts and the Group seeks to adhere to the payment terms, provided the relevant goods and services have been supplied in accordance with the contracts.

Directors and their interests

The directors of the Company during the period ended 31 March 2008 are set out below. All were directors for the whole period except where otherwise indicated.

M Ayre (appointed 15 November 2007, resigned 21 April 2008)

D Latham (appointed 15 November 2007)

M Nagle (appointed 22 November 2007)

A Pena (appointed 22 November 2007)

D Rigney (appointed 15 November 2007, resigned 21 April 2008)

J Zibarras (appointed 22 November 2007)

The following directors were appointed on 21 April 2008:

J Altman

C O'Reilly

At no time during the period did any director have a material interest in any contract or arrangement which was significant in relation to the Group's business.

Directors' and officers' insurance

The Company maintains an appropriate level of directors' and officers' insurance whereby directors are indemnified against liabilities to third parties to the extent permitted by the Companies Act.

Statement of directors' responsibilities in respect of the preparation of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRS as adopted by the European Union and the Companies Act 1985.

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities in respect of the preparation of the financial statements (continued)

IAS 1 'Presentation of Financial Statements' requires that the group and parent company financial statements present fairly for each financial period the company's financial position, financial performance and cashflows. This requires the faithful representation of the effects of the transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by the compliance with all applicable IFRS.

In preparing the financial statements, the directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial performance; and
- make an assessment of the group and parent company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the company and to enable them to ensure that the statutory financial statements comply with the Companies Act 1985. They have a general responsibility for the system of internal control and for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Information given to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Independent auditor

In accordance with section 384 of the Companies Act 1985 a resolution to reappoint Deloitte & Touche LLP as the auditor of the Company will be proposed at the forthcoming annual general meeting.

Registered address

North West Electricity Networks Ltd
Dalton House
104 Dalton Avenue
Birchwood Park
Birchwood
Warrington
WA3 6YF

Registered number: 6428375

By order of the board


J Altman
Director

4 June 2008

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NORTH WEST ELECTRICITY NETWORKS LIMITED**

We have audited the group and parent company financial statements ("the financial statements") of North West Electricity Networks Limited for the period from 15 November 2007 to 31 March 2008 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated and company statements of recognised income and expense, the consolidated and company cashflow statements and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for the preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NORTH WEST ELECTRICITY NETWORKS LIMITED (Continued)**

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2008 and of the profit for the period then ended;
- the parent company's financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2008;
- the group and parent company financial statements have been prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester, United Kingdom
4 June 2008

NORTH WEST ELECTRICITY NETWORKS LIMITED

CONSOLIDATED INCOME STATEMENT

For the period from 15 November 2007 to 31 March 2008

	Note	Group 2008 £m
Revenue	2	98.9
Employee benefits expense	4	(1.8)
Depreciation and amortisation expense		(18.9)
Other operating costs		(24.9)
Restructuring costs		(0.7)
Total operating expenses		<u>(46.3)</u>
Operating profit	3	<u>52.6</u>
Investment income	5	1.8
Finance expense	6	(10.9)
Profit before taxation		<u>43.5</u>
Taxation	7	(11.4)
Profit for the period	24	<u><u>32.1</u></u>

All the results shown in the consolidated income statement derive from continuing operations.

NORTH WEST ELECTRICITY NETWORKS LIMITED

BALANCE SHEETS

At 31 March 2008

	Note	Group 2008 £m	Company 2008 £m
ASSETS			
Non-current assets			
Intangible assets	10	20.6	-
Property, plant and equipment	11	2,170.4	-
Investments	12	-	1,145.7
Retirement benefit surplus	18	45.1	-
		2,236.1	1,145.7
Current assets			
Trade and other receivables	13	34.4	5.8
Cash and cash equivalents	14	101.7	1.4
Derivative financial instruments	16	5.6	0.5
		141.7	7.7
Total assets		2,377.8	1,153.4
LIABILITIES			
Current liabilities			
Borrowings	15	(0.2)	-
Trade and other payables	17	(751.1)	(694.7)
Derivative financial instruments	16	(0.5)	-
Current income tax liabilities		(24.7)	-
		(776.5)	(694.7)
Net current liabilities		(634.8)	(687.0)
Non-current liabilities			
Borrowings	15	(1,076.4)	(458.7)
Deferred tax liabilities	19	(468.7)	(0.1)
Provisions	20	(2.0)	-
Consumer contributions	21	(19.2)	-
Refundable customer deposits	22	(10.1)	-
		(1,576.4)	(458.8)
Total liabilities		(2,352.9)	(1,153.5)
Net assets/(liabilities)		24.9	(0.1)
EQUITY			
Share capital	23	3.0	3.0
Retained earnings	24	21.9	(3.1)
Total equity		24.9	(0.1)

Approved by the board of directors on 4 June 2008 and signed on its behalf by:

M Nagle
Director



NORTH WEST ELECTRICITY NETWORKS LIMITED

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE

For the period from 15 November 2007 to 31 March 2008

	Note	Group 2008 £m	Company 2008 £m
Actuarial losses on defined benefit pension schemes	18	(16.2)	-
Deferred tax on items taken directly to equity	19	6.0	-
		(10.2)	-
Net expense recognised directly in equity		(10.2)	-
Profit/(loss) for the period		32.1	(3.1)
Total recognised income and expense for the period		21.9	(3.1)

NORTH WEST ELECTRICITY NETWORKS LIMITED

CASHFLOW STATEMENTS

For the period from 15 November 2007 to 31 March 2008

	Note	Group 2008 £m	Company 2008 £m
Operating activities			
Cash generated from operations	29	106.6	(1.8)
Interest paid		(38.9)	(11.0)
Interest received and similar income		2.3	0.6
Dividend received		-	11.0
Tax paid		(2.0)	-
Net cash generated from/(absorbed by) operating activities		68.0	(1.2)
Investing activities			
Acquisition of subsidiaries	27	(1,067.8)	(1,145.7)
Purchase of property, plant and equipment		(64.9)	-
Consumer contributions received		19.9	-
Proceeds from sale of property, plant and equipment		0.2	-
Net cash used in investing activities		(1,112.6)	(1,145.7)
Financing activities			
Proceeds on issue of ordinary shares		3.0	3.0
Proceeds from borrowings		458.1	458.1
Repayment of borrowings		(2.2)	-
Proceeds from group borrowings		687.2	687.2
Net cash generated from financing activities		1,146.1	1,148.3
Net increase in cash and cash equivalents		101.5	1.4
Cash and cash equivalents at beginning of the period		-	-
Net cash and cash equivalents at end of the period	14	101.5	1.4

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC').

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments, investment properties and certain property, plant and equipment.

The preparation of financial statements, in conformity with generally accepted accounting principles ('GAAP') under IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

In the accounting period, the Directors have adopted IFRS 7, Financial Instruments: Disclosure. This new standard revises and combines the disclosure requirements of IAS 32, Financial Instruments: Disclosure and presentation. It has impacted a number of notes in the financial statements in relation to how the Group measures and manages the risks it faces.

During the period, the Directors have also adopted early IFRIC14, 'The limit on a Defined benefit Asset, Minimum Funding requirements and their interaction'. The impact has been to increase the tax liability on the defined benefit surplus as shown in Note 19, Deferred Tax.

Also in the period, the Directors have adopted early IFRS 3 revised, Business Combinations. This revised statement allows immediate write off of acquisition costs to the income statement.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and entities controlled by the Company (its subsidiaries), made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used under the relevant local GAAP into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

North West Electricity Networks Limited acquired the entire share capital of Electricity North West Limited on 19 December 2007. The business combination was accounted for in accordance with IFRS 3 and IAS 38 and is explained in note 27.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

1. ACCOUNTING POLICIES (continued)

Associates

An associate is an entity over which the Group, either directly or indirectly, is in a position to exercise significant influence by participating in, but not controlling, the financial and operating policies of the entity. Associates are accounted for using the equity method. Losses of an associate in excess of the Group's interest in the associate are not recognised, except to the extent that the Group has incurred obligations in respect of the associate. Unrealised profits and losses recognised by the Group on transactions with an associate are eliminated to the extent of the Group's interest in the associate concerned.

Intangible assets

Intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. Carrying amount is reduced by any provision for impairment where necessary.

Amortisation periods for categories of intangible assets are:

Computer software 3-10 years

Property, plant and equipment

Property, plant and equipment comprises operational structures and other assets (including properties, overground plant and equipment and electricity operational assets).

Operational structures

Infrastructure assets are depreciated by writing off their deemed cost less the estimated residual value, evenly over their useful lives, which range from 5 to 80 years. Employee costs incurred in implementing the capital schemes of the Group are capitalised within operational structure assets.

Other assets

All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land and assets in the course of construction are not depreciated. Other assets are depreciated by writing off their cost evenly over their estimated useful lives, based on management's judgement and experience, which are principally as follows:

Buildings 30-60 years

Fixtures, fittings, tools and equipment 3-40 years

Depreciation methods and useful lives are re-assessed annually and, if necessary, changes are accounted for prospectively.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

1. ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets

Intangible assets with definite useful lives and property, plant and equipment are reviewed for impairment at each reporting date to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cashflows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell, and value in use. Value in use represents the net present value of expected future cashflows discounted on a pre-tax basis using a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cashflows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment of non-current assets is recognised in the income statement within operating costs.

Where an impairment loss subsequently reverses, the reversal is recognised in the income statement and the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not so as to exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Inventories

Inventories are stated at cost less any provision necessary to recognise damage or obsolescence.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

In the consolidated cashflow statement and related notes, cash and cash equivalents includes cash at bank and in hand, deposits, other short-term highly liquid investments which are readily convertible on initial investment into known amounts of cash within three months and which are subject to an insignificant risk of change in value.

Financial investments

Investments (other than interests in subsidiaries and fixed deposits) are recognised and derecognised on a trade date basis and are initially measured at fair value, including transaction costs. Investments are classified as available-for-sale and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Trade receivables

Trade receivables are stated at fair value, with any allowances made for any estimated irrecoverable amounts.

Trade payables

Trade payables are stated at their nominal value.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

1. ACCOUNTING POLICIES (continued)

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an amortised cost basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments and hedge accounting

Interest rate swap agreements are used to manage interest rate exposure. The Group does not use derivative financial instruments for speculative purposes.

All financial derivatives are recognised in the balance sheet at fair value. Changes in the fair value of all derivative financial instruments are recognised in the income statement within finance expense as they arise; the Group does not currently designate derivatives into hedging relationships and apply hedge accounting.

The Group elects to designate a financial liability at inception as fair value through the income statement on the basis that it meets the conditions specified in IAS 39 'Financial Instruments: Recognition and measurement'.

Hedge accounting

There are two types of hedge accounting strategies that the Group undertakes and these are summarised below:

Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. To the extent there is an effective hedging relationship, the associated hedged items are stated at fair value in respect of hedged risk, with any gain or loss also recognised in the income statement. As a result these two items offset each other and reduce profit volatility.

Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, the effective part of any gain or loss on the derivative is recognised directly in equity. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

Derivatives and borrowings

The Group's default treatment is for borrowings to be carried at amortised cost, whilst derivatives are recognised separately on the balance sheet at fair value with movements in those fair values reflected through the income statement. This has the potential to introduce considerable volatility to both the income statement and balance sheet.

The Group applies the fair value through profit or loss option as no hedge accounting is currently undertaken. This area is considered to be of significance due to the magnitude of the Group's level of borrowings.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

1. ACCOUNTING POLICIES (continued)

Financial assets and liabilities designated at fair value through profit or loss

The Group applies this designation where the complexity of the swaps means that they are disallowed from being allocated in a hedge relationship despite there being significant fair value offset between the hedged item and the derivative itself. The otherwise inconsistent accounting treatment that would have resulted allows the Group to satisfy the criteria for this designation. The treatment of financial assets and liabilities designated at fair value through the income statement is consistent with the Group's documented risk management strategy.

Borrowing costs and finance income

All borrowing costs and finance income are recognised in the income statement in the period in which they are accrued.

Operating profit

Operating profit is stated after charging operating expenses but before investment income and finance expense.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation

Current tax, representing UK corporation tax, is based on the taxable profit for the period and is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences at the balance sheet date. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer more likely than not that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

1. ACCOUNTING POLICIES (continued)

Retirement benefit obligations

The Group participates in a sectionalised defined benefit scheme, which is closed to new members and is independent of the Group's finances. The scheme is split into two sections, the Electricity North West Limited (ENWL) section and the United Utilities Electricity Services Limited (UUES) section. The UUES section is for defined benefit members of United Utilities Electricity Services Limited, a former subsidiary of Electricity North West Limited and now a wholly owned subsidiary of United Utilities PLC. The Group has taken on an Asset Services Agreement ("ASA") with UUES and this contract assumes the obligation to contribute variable amounts to the defined benefit pension scheme for the UUES section over the life of the ASA contract. In addition, at termination of the contract it is expected that the activities will revert back to Electricity North West Limited and members of the UUES section will TUPE back at the same time under Employment law. As a result the Group has accounted for both sections of the Scheme in accordance with IAS 19 'Employee benefits'.

The most recent valuation for the scheme was 31 March 2004 and the next actuarial valuation of the Scheme for funding purposes will be carried out as at 31 March 2008 and thereafter at intervals of not more than three years. The pension cost under IAS 19 'Employee benefits' is assessed in accordance with the advice of a firm of actuaries. The assumptions are disclosed in note 18 of the financial statements. Results are affected by the actuarial assumptions used. These assumptions include those made for investment returns on the schemes' assets, discount rates, pay growth and increases to pensions in payment and deferred pensions, and life expectancy for Scheme members. Actual experience may differ from the assumptions made, for example, due to changing market and economic conditions and longer or shorter lives of participants.

Defined benefit assets are measured at fair value while liabilities are measured at present value. The difference between the two amounts is recognised as a surplus or obligation in the balance sheet.

The cost of providing pension benefits to employees relating to the current year's service and the difference between the expected return on scheme assets and interest on scheme liabilities are included within the income statement within employee costs. The difference between the expected return on scheme assets and interest on scheme liabilities are included within the income statement within finance expense.

All actuarial gains and losses are recognised outside the income statement in retained earnings and presented in the statement of recognised income and expense.

'IFRIC 14: The limit on a defined benefit asset, minimum funding requirements and their interaction' was published by the interpretations committee of the International Accounting Standards Board in July 2007 and has been adopted early by the Group. IFRIC 14 provides guidance on the extent to which a pension scheme surplus should be recognised as an asset and may also require additional liabilities to be recognised where minimum funding requirements exist. It has been determined that the pension surplus could be recovered on wind up of the Scheme and has therefore been recognised, along with associated liabilities.

In addition, the Group operates defined contribution pension schemes. Payments are charged as employee costs as they fall due. The Group has no further payment obligations once the contributions have been paid.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Expenditure that relates to an existing condition caused by past operations that does not contribute to current or future earnings is expensed.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

1. ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue represents the fair value of the income receivable in the ordinary course of business for the distribution of electricity during the period, exclusive of value-added tax.

The Group recognises revenue generally at the time of delivery and when collection of the resulting receivable is reasonably assured. Payments received in advance of revenue recognition are recorded as deferred revenue.

Consumer Contributions

Contributions receivable in respect of property, plant and equipment are treated as deferred income, which is credited to the income statement over the estimated economic lives of the related assets.

Refundable Customer Deposits

Refundable customer deposits are received in respect of property, plant and equipment and are held as a liability until repayment conditions come into effect and the amounts are repaid to the customer.

Leases

Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, the Group is required to make certain estimates, judgements and assumptions that it believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented.

On an ongoing basis, the Group evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

The following paragraphs detail the policies the Group believes to have the most significant impact on the annual results under IFRS.

Carrying value of property, plant and equipment

The carrying value of property, plant and equipment (PPE) as at 31 March 2008 was £2,170.4 million. Additions to PPE totalled £62.9 million and the depreciation charge was £18.0 million in the period ended 31 March 2008. The estimated useful economic lives of PPE are based on management's judgement and experience. When management identifies that actual useful lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of PPE investment to the Group, variations between actual and estimated useful lives could impact operating results both positively and negatively, although historically, few changes to estimated useful lives have been required.

The Group is required to evaluate the carrying values of PPE for impairment whenever circumstances indicate, in management's judgement, that the carrying value of such assets may not be recoverable. An impairment review requires management to make subjective judgements concerning the cashflows, growth rates and discount rates of the cash-generating units under review.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

1. ACCOUNTING POLICIES (continued)

Revenue recognition

The Group recognises revenue generally at the time of delivery and when collection of the resulting receivable is reasonably assured. Should management consider that the criteria for revenue recognition are not met for a transaction, revenue recognition would be delayed until such time as the transaction becomes fully earned. Payments received in advance of revenue recognition are recorded as deferred revenue.

The customers of the electricity distribution business are the electricity supply companies that utilise Electricity North West Limited's distribution network to distribute electricity from generators to the end consumer.

The receivable billed is dependent upon the volume of electricity distributed, including estimates of the units distributed to customers. The estimated usage is based on historical data, judgement and assumptions. Operating revenues are gradually adjusted to reflect actual usage in the period over which the meters are read.

Accounting for provisions and contingencies

The Group is subject to a number of claims incidental to the normal conduct of its business, relating to and including commercial, contractual and employment matters, which are handled and defended in the ordinary course of business. The Group routinely assesses the likelihood of any adverse judgements or outcomes to these matters as well as ranges of probable and reasonably estimated losses. Reasonable estimates involve judgements made by management after considering information including notifications, settlements, estimates performed by independent parties and legal counsel, available facts, identification of other potentially responsible parties and their ability to contribute, and prior experience. A provision is recognised when it is probable that an obligation exists for which a reliable estimate can be made of the obligation after careful analysis of the individual matter. The required provision may change in the future due to new developments and as additional information becomes available. Matters that either are possible obligations or do not meet the recognition criteria for a provision are disclosed, unless the possibility of transferring economic benefits is remote.

Retirement benefits

The Group participates in a sectionalised defined benefit scheme as described further in note 18. The Group has taken on a contract and assumes the obligation to contribute variable amounts to the defined benefit pension scheme for the UUES section over the life of the contract. In addition, at termination of the contract it is expected that the activities will revert back to the Electricity North West Limited Group and members of the UUES section will TUPE back at the same time. As a result the Group has accounted for both sections of the ESPS in accordance with IAS 19 'Employee benefits'.

The pension cost under IAS 19 'Employee benefits' is assessed in accordance with the advice of a firm of actuaries. The assumptions are disclosed in note 18 of the financial statements. Results are affected by the actuarial assumptions used. These assumptions include those made for investment returns on the schemes' assets, discount rates, pay growth and increases to pensions in payment and deferred pensions, and life expectancy for Scheme members. Actual experience may differ from the assumptions made, for example, due to changing market and economic conditions and longer or shorter lives of participants.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

1. ACCOUNTING POLICIES (continued)

Recently issued accounting pronouncements - International Financial Reporting Standards

At the date of authorisation of these financial statements, the following relevant standards and interpretations were in issue but not yet effective. The directors anticipate that the adoption of these standards and interpretations will have no material impact on the Group's financial statements. The directors anticipate that the Group will adopt these standards and interpretations on their effective dates.

IFRS 8; 'Operating Segments', issued in November 2006, is effective for periods commencing on or after 1 January 2009.

IAS 23; 'Amendment – Borrowing Costs'. On 29 March 2007, the International Accounting Standards Board (IASB) issued a revised IAS 23 'Borrowing costs'. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for sale. The revised standard is effective for periods commencing on or after 1 January 2009. The Group is, therefore, required to capitalise borrowing costs as part of the qualifying assets from 1 April 2009.

Interpretations in issue but not considered relevant to the activities of the group are as follows:

IFRIC 13; 'Customer loyalty Programmes'.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

2. REVENUE

	2008 £m
Revenue	<u>98.9</u>

All revenue predominantly arises from the principal activity of electricity distribution and associated activities.

The geographical origin and destination of revenue is all within the United Kingdom.

3. OPERATING PROFIT

The following items have been included in arriving at the Group's operating profit:

	2008 £m
Employee benefits expense	
Employee costs (see note 4)	1.8
Depreciation and amortisation expense	
Depreciation of property, plant and equipment	
Owned assets (see note 11)	18.0
Amortisation of intangible assets and consumer contributions	
Software (see note 10)	1.0
Consumer contributions (see note 21)	(0.1)
Other income	
Profit on disposal of property, plant and equipment	(0.2)
Other operating costs include:	
Research and development	0.3
Operating leases:	
- land and buildings	0.9
Restructuring costs	<u>0.7</u>

During the period, the Group obtained the following services from the Group's auditors, at costs detailed below:

	2008 £m
Audit services	
Statutory audit of the Group's annual accounts	<u>0.1</u>
	<u>0.1</u>

Fees payable for the audit of the Company's accounts were £3,000.

There were no fees payable to Deloitte & Touche LLP or their associates for non-audit services for the Group. Fees payable to Deloitte & Touche LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

4. DIRECTORS AND EMPLOYEES

Directors' remuneration

The Directors' of the Company did not receive any remuneration from the Group but were remunerated from the ultimate parent undertaking.

Employee costs

	2008 £m
Wages and salaries	1.1
Social security costs	0.3
Pension costs (see note 18)	2.8
	4.2
Capital schemes and charges against provisions	(2.4)
	1.8

Average number of employees during the period (full-time equivalent)

	2008 Number
Electricity distribution	75
	75

There are no employees in the Company.

5. INVESTMENT INCOME

	2008 £m	2008 £m
Interest receivable on short-term bank deposits held at amortised cost		0.6
Expected return on pension scheme assets	16.7	
Interest cost on pension scheme obligations	(15.5)	
	1.2	
Net pension interest income		1.2
		1.8

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

6. FINANCE EXPENSE

	2008	2008
	£m	£m
Interest payable		
Interest payable on bank borrowings	9.3	
Interest payable on borrowings held at amortised cost	5.7	
Interest payable on bank borrowings at fair value	8.3	
Other finance charges related to index linked bonds	0.3	
Interest payable to Group undertakings	9.5	
	9.5	
		33.1
Fair value (gains)/losses on financial instruments		
Derivatives designated at fair value through profit and loss	(3.4)	
Borrowings designated at fair value through profit and loss	(18.8)	
	(18.8)	
		(22.2)
		10.9
		10.9

7. TAXATION

	Group
	2008
	£m
Current tax:	
UK corporation tax	10.1
Deferred tax (note 19):	
Current period	1.3
	11.4
	11.4

Corporation tax is calculated at 30% of the estimated assessable profit for the period.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

7. TAXATION (continued)

The table below reconciles the notional tax charge at the UK corporation tax rate to the effective tax rate for the period:

	Group 2008 £m	Group 2008 %
Profit before tax	43.5	
Tax at the UK corporation tax rate of 30%	13.1	30.0
Non-taxable income	(1.7)	(3.9)
	11.4	26.1
	11.4	26.1

In addition to the amount charged to the income statement, deferred tax relating to actuarial gains on defined benefits schemes of £6.0 million was also credited to the statement of recognised income and expense under IFRIC 14.

8. DIVIDENDS

There were no distributions to equity holders in the period.

The Company has not proposed a final dividend for the period ended 31 March 2008.

9. DIRECTORS AND THEIR INTERESTS

The Directors' did not receive any remuneration from the Group but were remunerated from the ultimate parent undertaking.

None of the directors contribute to any of the pension schemes within the Group.

As at 31 March 2008 the directors have no interests in the ordinary shares of North West Electricity Networks Limited or any subsidiary companies within the Group.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

10. INTANGIBLE ASSETS

Group	Software £m	Assets in course of construction £m	Total £m
Cost at incorporation	-	-	-
Acquired with subsidiaries	33.5	0.6	34.1
Transfers	0.1	(0.1)	-
Transfers of plant, property and equipment (to additions)	-	(0.2)	(0.2)
At 31 March 2008	33.6	0.3	33.9
Amortisation at incorporation	-	-	-
Acquired with subsidiaries	12.3	-	12.3
Charge for the period	1.0	-	1.0
At 31 March 2008	13.3	-	13.3
Net book value at 31 March 2008	20.3	0.3	20.6
Net book value at incorporation	-	-	-

At 31 March 2008, the Group had entered into contractual commitments for the acquisition of intangible assets amounting to £0.1 million.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

11. PROPERTY, PLANT AND EQUIPMENT

Group	Operational structures £m	Non operational land and buildings £m	Fixtures and equipment, vehicles and other £m	Assets in course of construction £m	Total £m
Cost at incorporation	-	-	-	-	-
Acquired with subsidiaries	2,733.9	12.4	25.9	184.3	2,956.5
Additions	62.2	0.4	0.3	-	62.9
Transfers	15.3	0.1	(13.8)	(1.6)	-
Disposals	(0.6)	(0.4)	(3.2)	-	(4.2)
At 31 March 2008	2,810.8	12.5	9.2	182.7	3,015.2
Depreciation at incorporation	-	-	-	-	-
Acquired with subsidiaries	807.2	2.5	21.3	-	831.0
Charge for the period	17.5	0.5	-	-	18.0
Transfers	9.5	1.4	(10.9)	-	-
Disposals	(0.6)	(0.5)	(3.1)	-	(4.2)
At 31 March 2008	833.6	3.9	7.3	-	844.8
Net book value at 31 March 2008	1,977.2	8.6	1.9	182.7	2,170.4
Net book value at incorporation	-	-	-	-	-

Within the net book value of operational structures acquired with subsidiaries is a fair value adjustment made on the acquisition of ENW, this is discussed in note 27. The fair value adjustment increased the acquisition cost by £201.3 million and since acquisition depreciation of £1.1 million has been charged on this amount.

At 31 March 2008, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £35.2 million.

NORTH WEST ELECTRICITY NETWORKS LIMITED

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

12. INVESTMENTS

	Company £m
Cost	
On incorporation	-
Additions (note 27)	1,145.7
	1,145.7
At 31 March 2008	1,145.7

All acquisition information is shown in note 27.

Details of the investments at 31 March 2008 are as follows:

Company

Subsidiary undertaking	Description of holding	Proportion held	Nature of business
Electricity North West Limited (formerly United Utilities Electricity Limited)	Ordinary shares of 50p each	100%	Energy distribution

Group

Subsidiary undertaking	Description of holding	Proportion held	Nature of business
NB Property and Estate Services No. 1 Limited (formerly NB Property and Estate Services Limited)	Ordinary shares of £1 each	100%	Non-trading
NB Leasing Limited	Ordinary shares of £1 each	100%	Non-trading
NB (Miles Platting Community Project) Limited (formerly NB Miles Platting Limited)	Ordinary shares of £1 each	100%	Dormant

Other investments	Description of holding	Proportion held	Nature of business
ESN Holdings Limited	Ordinary shares of £1 each	6.20%	Investment company
National Grid plc	Ordinary shares of 11.76p each	Negligible	Energy distribution

Associated undertaking	Description of holding	Proportion held	Nature of business
Nor.Web Limited	Ordinary shares of £1 each	50%	Dormant

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

13. TRADE AND OTHER RECEIVABLES

	Group 2008 £m	Company 2008 £m
Trade receivables	1.4	-
Amounts owed by group undertakings	-	5.3
Prepayments and accrued income	33.0	0.5
	34.4	5.8
	34.4	5.8

Trade receivables do not carry interest and are stated net of allowances for doubtful receivables of £nil, estimated by management based on known specific circumstances, past default experience and their assessment of the current economic environment.

The average credit period taken on sales is 14 days.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. The majority of balances are less than 45 days past due; a balance of £30,000 is greater than 45 days past due at 31 March 2008.

There is no provision for impairment of trade receivables.

Trade receivables comprise 28 individual customers and 41% of the trade receivables balance above relates to the regulated provision of infrastructure to electricity retail companies. The Group is required by the regulator to accept any company that has obtained a trading licence regardless of their credit status. To mitigate the risk posed by this, all transactions with customers are governed by a contract which all customers are required by the regulator to sign and adhere to the terms.

Under the terms of the contract, the maximum unsecured credit that the Group may be required to give is 2% of the Regulatory Asset Value (RAV) of Electricity North West Limited. In addition the contract makes provisions for the credit quality of customers and adjusts the credit value available to them based on credit ratings and payment history. Where a customer exceeds their agreed credit level under the contract the customer must provide collateral to mitigate the increased risk posed. At the period end £2.8m of cash had been received as security.

The allowed RAV is set by the regulator for each year and is currently £1,242m. At the period end £64.6m of unsecured credit limits had been granted to customers and the highest unsecured credit limit given to any single customer was £8.7m. All of the customers granted credit at this level must have a credit rating of at least A- from Standard and Poors and A3 from Moodys or a guarantee from a parent company of the same rating level. Alternatively, the customer must be able to prove their creditworthiness on an ongoing basis.

Of the trade receivables 0% are past due but not impaired.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

14. CASH AND CASH EQUIVALENTS NET OF BANK OVERDRAFTS

	Group 2008 £m	Company 2008 £m
Short-term bank deposits	101.7	1.4
Bank overdrafts (note 15)	(0.2)	-
	101.5	1.4
	101.5	1.4

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less, net of bank overdrafts which are payable on demand.

The effective interest rate on short term deposits was 5.81% and these deposits had an average maturity of 8.5 days.

15. BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate risk and liquidity risk see note 16.

	Group 2008 £m	Company 2008 £m
Non-current liabilities		
Bank and other term borrowings	458.7	458.7
Bonds	617.7	-
	1,076.4	458.7
Current liabilities		
Bank overdrafts	0.2	-
Amounts owed to parent undertaking	693.4	693.4
	693.6	693.4
	1,770.0	1,152.2

All loans and borrowings are unsecured. Bank overdrafts and intercompany borrowings are repayable on demand. All amounts are in sterling.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

15. BORROWINGS (Continued)

Carrying value by category

The carrying values by category of financial instruments were as follows;

	Year of maturity	Group 2008 Carrying value £m	Company 2008 Carrying value £m
Borrowings designated at fair value through profit and loss			
8.875% £250m bond	2026	315.7	-
Borrowings measured at amortised cost			
8.875% £200m bond	2026	195.0	-
1.4746%+RPI ¹ £100m index-linked bond	2046	107.0	-
Long term loans	2010	458.7	458.7
Bank overdraft	2008	0.2	-
Other financial liabilities held at amortised cost			
Trade payables (note 17)	2008	26.4	-
Amounts owed to parent undertaking (note 17)	2008	693.4	693.4
		1,796.4	1,152.1

¹ RPI - Retail Price Index – the UK general index of retail prices (for all items) as published by the Office of National Statistics.

The fair values of the Group's financial instruments are shown in note 16.

Borrowing facilities

The Group had £30.0m in unutilised committed bank facilities at 31 March 2008. All of the amounts unutilised expire in more than two years.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

16. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity in another entity. The Group uses financial instruments to invest liquid asset balances, raise funding and manage the risks arising from its operations.

The principal risks which the Group is exposed to and which arise in the normal course of business include credit, liquidity and interest rate risks. Derivatives are used to hedge exposure to fluctuations in interest rates. A derivative is a financial instrument, the value of which changes in response to some underlying variable (e.g. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

The Board has authorised the use of derivatives by the Group to reduce the risk of loss arising from changes in market risks, and for economic hedging reasons. At present, the Group only uses interest rate swaps to hedge balance sheet exposures.

The accounting policy for derivatives is provided in note 1. At present, the Group does not undertake any hedge accounting (either fair value hedging or cash flow hedging).

Control over financial instruments

The Group is developing a formal risk management structure, which includes the use of risk limits, reporting and monitoring requirements, mandates, and other control procedures. It is currently the responsibility of the Board to set and approve the risk management procedures and controls. Following the acquisition of Electricity North West Limited in December 2007, the risk management structure and procedures have been updated accordingly.

Market risk management

The primary financial risk faced by the Group is interest rate risk. The Board is required to review and approve policies for managing this risk on an annual basis. The Electricity North West Limited's treasury function, which is authorised to conduct the day-to-day treasury activities of the Group, reports on a regular basis (at least annually) to the Board. Since the acquisition of Electricity North West Limited, the Board has approved all new interest rate swaps entered into.

All of the Group's activities involve analysis, acceptance and management of some degree of risk or combination of risks. The most important types of financial risk are credit risk, liquidity risk and market risk. Market risk includes foreign exchange, interest rate and equity price risks. The Group has limited exposure to foreign exchange, inflation (RPI) and equity price risk.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and limits continually by means of reliable and up to date systems. The Group modifies and enhances its risk management policies and systems to reflect changes in markets and products. The Audit Committee is responsible for independently overseeing the activities in relation to Group risk management.

Credit risk

The Group takes on exposure to credit risk, which is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract as they fall due. It arises principally from lending, trade finance, and treasury activities. The Group has dedicated standards, policies and procedures to control and monitor all such risks.

The counterparties under these activities consist of financial institutions. Although the Group is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through credit rating reviews of the counterparties and by limiting the total amount of exposure to any one party. Management does not anticipate any counterparty will fail to meet its obligations.

Significant changes in the economy or in the utilities sector could result in losses not necessarily provided for at the balance sheet date. With only a small number of customers (2008: 28), the creditworthiness of each of these is closely monitored. Whilst the loss of one customer could have significant credit loss issues to the Group due to the small customer base, the exposure to such credit losses would be mitigated in most cases by the protection the regulator provides to cover such losses. Nonetheless, the credit management process must be closely adhered to, to avoid such circumstances, and the Group's management therefore closely monitor adherence to this process.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

16. FINANCIAL INSTRUMENTS (continued)

a) Trade receivables

Credit risk in relation to trade receivables is considered to be relatively low, due to the small number of customers, and the fact that each customer has a contract in place with the Group, and is required to provide collateral in the form of a cash deposit subject to the amounts due and their credit rating. At 31 March 2008 there were no assets past due and management considers that no impairment provision was required.

b) Treasury investments

The directors do not believe that the Group is exposed to any material concentrations of credit risk in relation to Treasury investments (including both amounts placed on deposit with counterparties and asset interest rate swaps).

As at 31 March 2008 none of the Group's treasury portfolio exposure was either past due or impaired, and no terms had been renegotiated with any counterparty. The Group has limits in place to ensure counterparties have a certain minimum credit rating, and individual exposure limits to ensure there is no concentration of credit risk.

The table below provides details of the ratings of the Group's treasury portfolio:

Credit Rating	2008	
	£m	%
AA	104.2	99.0
AA+	1.2	1.0
	105.4	100.0
	105.4	100.0

No collateral is held in relation to Treasury assets.

Exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives, in the balance sheet. For trade receivables, the value is net of any collateral held in cash deposits (please refer to note 14 for further details).

Credit Risk by Class	2008	2008
	Group	Company
	£m	£m
Trade Receivables	1.4	-
Interest rate Swaps (Assets)	5.6	0.5
Cash & Cash Equivalents	101.7	1.4
	108.7	1.9
Total	108.7	1.9

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

16. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet the obligations or commitments associated with its financial instruments, as they fall due. The Group manages the liquidity profile of its assets, liabilities and commitments so that cashflows are appropriately balanced and all funding obligations are met when due. This is achieved through maintaining a prudent level of liquid assets, and arranging funding facilities.

The Board is responsible for monitoring the maturity of liquidity and deposit funding balances and advising on any action to be taken as appropriate.

The Group largely manages all of its financing cashflows over the observed five-year regulatory period; whilst the Group uses economic hedges to ensure that certain cash flows can be matched, management is not using hedge accounting to account for these, instead taking the fair value movements to the income statement.

The following is an analysis of gross contractual cash flows payable under financial liabilities. The other liabilities caption includes: retirement benefit obligation, deferred tax liability, provisions, consumer contributions, refundable customer deposits, and current income tax liabilities.

Group	On demand	<1 year	1-2 years	2-3 years	3-4 years	>4 years
As at 31 March 2008	£m	£m	£m	£m	£m	£m
Trade payables	26.4	-	-	-	-	-
Amount owed to parent undertaking	693.4	-	-	-	-	-
Interest rate swaps	0.5	-	-	-	-	-
Borrowings and overdrafts	1.2	71.3	71.3	528.9	41.6	1,142.2
	721.5	71.3	71.3	528.9	41.6	1,142.2

Company	On demand	<1 year	1-2 years	2-3 years	3-4 years	>4 years
As at 31 March 2008	£m	£m	£m	£m	£m	£m
Trade payables	-	-	-	-	-	-
Amount owed to parent undertaking	693.4	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Borrowings and overdrafts	1.0	29.7	29.7	487.3	-	-
	694.4	29.7	29.7	487.3	-	-

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

16. FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices include foreign exchange rates, interest rates, equity and commodity prices. The main type of market risk to which the Group is exposed is interest rate risk. The Group has very little foreign exchange exposure. The management of market risk is undertaken using risk limits approved by the finance director under delegated authority.

The Group borrows in the major global debt markets at both fixed and floating rates of interest, using derivatives, where appropriate, to generate the desired effective interest basis.

The following sensitivity analysis is used by Group management to monitor interest rate risk. The analysis below shows forward-looking projections of market risk assuming certain adverse market conditions occur. The sensitivity figures are calculated based on a downward parallel shift of 1% in the yield curve or an upward parallel shift of 1% in the yield curve.

Sensitivity Analysis

Period ended 31 March 2008

	<i>-1% change in interest rates</i>	<i>1% change in interest rates</i>
	£m	£m
Cash & Cash equivalents	-	-
Debt held at amortised cost	-	-
Debt held at fair value	(34.4)	29.8
Interest rate swaps	33.9	(28.5)
	<hr/>	<hr/>
Total fair value movement	(0.5)	1.3
	<hr/> <hr/>	<hr/> <hr/>

Although the above measures provide indication of the Group's exposure to market risk, such measures are limited in that historical data is not necessarily a good guide to future events, and exposures are calculated on static balance sheet positions, and therefore future changes in the structure of the balance sheet are ignored.

The Group has an inflation linked bond held on its balance sheet, as inflation is the key driver of future earnings. Whilst management does not formally monitor the sensitivity to changes in inflation (RPI rates), it is estimated that a 1% increase in inflation would lead to a £1.6m decrease in profits.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

16. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate borrowings are exposed to a risk of change in cashflows due to changes in interest rates. The Group uses interest rate swaps to hedge these exposures. Investments in short-term receivables and payables are not exposed to interest rate risk.

Under an interest rate swap, the Group agrees with another party to exchange at specific intervals the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. The notional principal of these instruments reflects the extent of the Group's involvement in the instruments, but does not represent its exposure to credit risk, which is assessed by reference to the fair value.

Interest rate swaps mature between 2010 and 2026. Swaps are executed in conjunction with bond issues to ensure that the combined cashflows approximate to floating sterling. In these cases, interest on the swap is received to coincide with bond interest payments which are generally annual or semi-annual on fixed rate bonds. Interest received on these swaps will match the nominal interest paid on the bonds. The floating side payable on these swaps will generally occur semi-annually. Additionally, swaps are executed to fix floating rate cashflows over the regulatory period. Cashflows on these regulatory swaps will coincide with the floating cashflow they are intended to fix.

Currency risk

The Group makes no significant sales or purchases in currencies other than its functional currency. Accordingly, the Group has no material unhedged foreign currency exposures.

Hedging

The Group does not use derivative financial instruments for speculative purposes, and has not pledged collateral in relation to any of its derivative instruments. The derivative financial instruments do not contain any early settlement or termination options.

The Group's derivatives are currently not designated in effective hedging relationships, and instead are measured at fair value through profit and loss.

Fair values

The tables below provide a comparison of the book and fair values of the Group's financial instruments by category as at the balance sheet date. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest rates.

For cash and cash equivalents, trade and other receivables, trade and other payables and short-term loans and receivables with a maturity of less than one year the book values approximate the fair values because of their short-term nature. For non-public long term loans and receivables, fair values are estimated by discounting future contractual cash flows to net present values using current market interest rates available to the Group for similar financial instruments as at period end.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

16. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Group 2008 Carrying value £m	Group 2008 Fair value £m	Company 2008 Carrying value £m	Company 2008 Fair value £m
Financial assets:				
<i>Current assets:</i>				
Cash and cash equivalents	101.7	101.7	1.4	1.4
Derivative financial instruments - held for trading swaps	5.6	5.6	0.5	0.5

The carrying value of trade and other receivables approximates to their fair value for both the Group and Company.

	Group 2008 Carrying value £m	Group 2008 Fair value £m	Company 2008 Carrying value £m	Company 2008 Fair value £m
Financial liabilities:				
<i>Non-current liabilities:</i>				
Borrowings designated at fair value through profit and loss	315.7	315.7	-	-
Borrowings in cash flow hedge relationship	-	-	-	-
Borrowings measured at amortised cost	760.7	794.4	458.7	458.7
	<u>1,076.4</u>	<u>1,110.1</u>	<u>458.7</u>	<u>458.7</u>
<i>Current liabilities:</i>				
Borrowings - bank overdrafts	0.2	0.2	-	-
Borrowings - amounts owed to parent undertaking	693.4	693.4	693.4	693.4
Derivative financial instruments - held for trading swaps	0.5	0.5	-	-
	<u>694.1</u>	<u>694.1</u>	<u>693.4</u>	<u>693.4</u>

The carrying value of trade and other payables approximates to their fair value for both the Group and Company.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

17. TRADE AND OTHER PAYABLES

	Group	Company
	2008	2008
	£m	£m
Trade creditors	26.4	-
Amounts owed to parent undertaking	693.4	693.4
Other taxation and social security	6.6	-
Consumers' contributions (note 21)	0.6	-
Refundable customer deposits (note 22)	7.2	-
Accruals and deferred income	16.9	1.3
	751.1	694.7
	751.1	694.7

Trade creditors principally comprise amounts outstanding to United Utilities Electricity Services for capital and operating services provided under the ASA contract. The credit period with UUES is 10 days from receipt of invoice.

18. RETIREMENT BENEFIT SCHEMES

Group

The Group participates in a sectionalised defined benefit scheme ("the Scheme"). The scheme is split into two sections, the Electricity North West Limited (ENWL) section and the United Utilities Electricity Services Limited (UUES) section.

The UUES section is for defined benefit members of United Utilities Electricity Services Limited, a former subsidiary of Electricity North West Limited and now a wholly owned subsidiary of United Utilities PLC. The Group has taken on an Asset Services Agreement ("ASA") with UUES and this contract assumes the obligation to contribute variable amounts to the defined benefit pension scheme for the UUES section over the life of the ASA contract. In addition, at termination of the contract it is expected that the activities will revert back to Electricity North West Limited and members of the UUES section will TUPE back at the same time under Employment law. As a result the Group has accounted for both sections of the Scheme in accordance with IAS 19 'Employee benefits'.

The scheme is closed to new entrants and the Group instead provides defined contribution arrangements for new entrants. The total costs charged to income in relation to the defined contribution scheme was £0.1m and represents contributions payable to the scheme at rates specified in the rules of the plan.

An actuarial valuation was carried out as at 30 November 2007 for the purposes of determining amounts to be transferred to the scheme. This valuation has been projected forward by an independent actuary to take account of the requirements of IAS 19 'Employee benefits' in order to assess the position at 31 March 2008. Similar projections were carried out for the position at 31 March 2007.

During the year the company did not make any contributions to the defined benefit sections of the scheme. Group contributions will resume from 1 April 2008 and the Group is expected to pay contributions of £11m in the year ending 31 March 2009. Contributions in future years will take account of the results of a formal actuarial valuation of the Scheme to be carried out as at 31 March 2008.

The total defined benefit pension expense for the period was £1.6 million. A pension surplus of £45.1 million is included in the balance sheet at 31 March 2008. Information about the pension arrangements for executive directors is contained in note 9.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

18. RETIREMENT BENEFIT SCHEMES (continued)

The main financial assumptions used by the actuary were as follows:

	At 31 March 2008
Discount rate – ENWL	6.40%
Discount rate - UUES	6.30%
Expected return on assets – ENWL	5.70%
Expected return on assets – UUES	6.80%
Pensionable salary growth	4.50%
Pension increases	3.50%
Price inflation	3.50%

Recent studies have shown faster rates of life expectancy improvement than had previously been expected. An allowance has been made for these faster rates of improvements. Studies have also illustrated that mortality rates vary significantly with the location of employees and the nature of their work. These factors have been taken into account in the calculation of the defined benefit obligations of the Group.

The current life expectancies (in years) underlying the value of the accrued pension scheme liabilities for the Group are:

	At 31 March 2008
Life expectancy at age 60:	
Retired member	25.7
Non-retired member	28.3

As at 31 March 2008, the Group's share of the fair value of Schemes' assets, together with the liabilities in the Schemes recognised in the balance sheet were as follows:

	Scheme assets at 31 March 2008 %	Value at 31 March 2008 £m
Equities	39.1	328.6
Gilts	40.6	341.7
Bonds	20.0	168.2
Cash	0.3	2.9
		841.4
Total fair value of assets		841.4
Present value of liabilities		(796.3)
Net retirement benefit surplus		45.1

To develop the expected long-term rate of return on assets assumption, the Group considered the level of expected returns on risk-free investments, the historical level of the risk premium associated with the other asset class in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term return on assets assumption for the portfolio. The actual return on Scheme assets for the Schemes was £22.9 million. None of the pension scheme assets are held in the Group's own financial instruments or property occupied by, or assets used by the Group.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

18. RETIREMENT BENEFIT SCHEMES (continued)

Movements in the present value of the defined benefit obligations are as follows:

	2008 £m
At incorporation	-
Acquired with subsidiary	(816.5)
Current service cost	(2.8)
Interest cost on scheme obligations	(15.5)
Member contributions	(0.7)
Actuarial gains	23.4
Benefits paid	15.8
	(796.3)
At 31 March	(796.3)

Movements in the fair value of the Schemes' assets were as follows:

	2008 £m
At incorporation	-
Acquired with subsidiary	879.4
Expected return on scheme assets	16.7
Actuarial losses	(39.6)
Member contributions	0.7
Benefits paid	(15.8)
	841.4
At 31 March	841.4

The net pension expense before taxation recognised in the income statement in respect of the defined benefit Schemes is summarised as follows:

	2008 £m
Current service cost	(2.8)
Expected return on scheme assets	16.7
Interest on scheme obligations	(15.5)
	(1.6)
Net pension expense before taxation	(1.6)

The above amounts are recognised in arriving at operating profit except for expected return on scheme assets and interest on scheme obligations which have been recognised within investment income.

The reconciliation of the opening and closing balance sheet position is as follows:

	2008 £m
At incorporation	-
Acquired with subsidiary	62.9
Expense recognised in the income statement	(1.6)
Net actuarial loss gross of taxation	(16.2)
	45.1
At 31 March	45.1

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

18. RETIREMENT BENEFIT SCHEMES (continued)

Actuarial gains and losses are recognised directly in the statement of recognised income and expense. At 31 March 2008, a cumulative loss of £16.2 million had been recorded directly in the statement of recognised income and expense.

The history of the Schemes for the current and prior years is as follows:

	2008 £m
Present value of defined benefit obligation	(796.3)
Fair value of schemes' assets	841.4
	45.1
Net retirement benefit surplus	45.1
Experience adjustments on schemes' liabilities	-
Experience adjustments on schemes' assets	(39.6)

19. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and Company, and the movements thereon, during the current reporting period.

Group	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At incorporation	-	-	-	-
Acquired with subsidiaries	455.6	21.8	(4.0)	473.4
(Credited)/charged to the income statement	(4.3)	-	5.6	1.3
Credited to equity for the period	-	(6.0)	-	(6.0)
	451.3	15.8	1.6	468.7
At 31 March 2008	451.3	15.8	1.6	468.7
Company	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At incorporation	-	-	-	-
Charged to the income statement	-	-	0.1	0.1
Charged to equity for the period	-	-	-	-
	-	-	0.1	0.1
At 31 March 2008	-	-	0.1	0.1

The 2007 Chancellor's Budget proposed changes to the rules to phase out industrial building allowances. The impact of this change has not been included in these accounts as the legislation is not yet substantially enacted, but is likely to result in an increase to the deferred tax liability of £8m.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

20. PROVISIONS

Group	Restructuring Provision £m	Total £m
At incorporation	-	-
Acquired with subsidiaries	4.1	4.1
Provided in period	0.7	0.7
Utilisation of provision	(2.8)	(2.8)
	<hr/>	<hr/>
At 31 March 2008	2.0	2.0
	<hr/> <hr/>	<hr/> <hr/>

21. CONSUMER CONTRIBUTIONS

Consumer contributions are amounts received from a customer in respect of the provision of a new connection to the network.

Consumer contributions are amortised through the income statement over the lifetime of the relevant asset.

Group	£m
At incorporation	-
Acquisition of subsidiary	-
Additions during the period	19.9
Amortisation	(0.1)
	<hr/>
At 31 March 2008	19.8
	<hr/> <hr/>
Amounts due in less than one year (see note 17)	0.6
Amounts due after more than one year	19.2
	<hr/> <hr/>
	19.8
	<hr/> <hr/>

22. REFUNDABLE CUSTOMER DEPOSITS

Refundable customer deposits are those consumer contributions which may be in part refundable, dependent on contracted targets.

Group	2008 £m
Amounts due in less than one year (see note 17)	7.2
Amounts due after more than one year	10.1
	<hr/> <hr/>

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

23. SHARE CAPITAL

Group and Company	2008
	£
Authorised:	
3,000,000 ordinary shares of £1 each	3,000,000
	<u>3,000,000</u>
	2008
	£
Allotted, called up and fully paid:	
3,000,000 ordinary shares of £1 each	3,000,000
	<u>3,000,000</u>

24. SHAREHOLDERS' EQUITY

Group

	Called up share capital £m	Retained earnings £m	Total £m
At Incorporation	-	-	-
New share capital issued	3.0	-	3.0
Profit for the period	-	32.1	32.1
Post employment benefits: Post tax actuarial losses on defined benefit schemes	-	(10.2)	(10.2)
	<u>3.0</u>	<u>21.9</u>	<u>24.9</u>
At 31 March 2008	<u>3.0</u>	<u>21.9</u>	<u>24.9</u>

As allowed by section 230(4) of the Companies Act 1985, the Company has not presented its own income statement. The amount of Group profit after tax for the financial period dealt with in the Company's income statement is £14.1 million loss.

Company

	Called up share capital £m	Retained deficit £m	Total £m
At Incorporation	-	-	-
New share capital issued	3.0	-	3.0
Loss for the period	-	(14.1)	(14.1)
Dividends received	-	11.0	11.0
	<u>3.0</u>	<u>(3.1)</u>	<u>(0.1)</u>
At 31 March 2008	<u>3.0</u>	<u>(3.1)</u>	<u>(0.1)</u>

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

25. OPERATING LEASES

The Group is committed to making the following payments over the lifetime of the lease in respect of non-cancellable operating leases which expire in:

	Land and buildings 2008 £m	Plant and machinery 2008 £m
Within one year	1.1	0.1
In the second to fifth years inclusive	4.2	0.4
After five years	5.5	2.8
	10.8	3.3
	10.8	3.3

The Company does not hold any non-cancellable operating leases as at the 31 March 2008.

26. RELATED PARTY TRANSACTIONS

Group and Company

Loans are made between companies in the North West Electricity Networks (Jersey) Group on which varying rates of interest are chargeable. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the period, group companies entered into the following transactions with related parties who are not members of the Group;

	2008 £m
Interest paid	9.5
Loans from related parties	687.3
	687.3
	687.3

The loans from related parties comprise amounts loaned from the immediate parent undertaking, North West Electricity Networks (Holdings) Limited. £200.0 million carries interest at 10% per annum, £327.0 million is interest free, £41.7 million carries interest at LIBOR plus 3% per annum and £118.6 million carries interest at LIBOR plus 1.75%. All amounts are all repayable on demand.

Amounts outstanding at 31 March 2008 between the North West Electricity Networks Limited Group and other companies within the Electricity North West Limited Group are provided in notes 13 and 17.

Sale of goods to related parties was on the Group's normal trading terms.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

27. ACQUISITIONS AND DISPOSALS

The acquisition made in the period has been accounted for under the purchase method of accounting. An assessment has been made of the fair value to the Group of the assets and liabilities acquired.

Electricity North West Limited (“ENW”)

On 19 December 2007 The Group acquired 100% of the issued share capital of ENW. The initial fair values of the assets and liabilities acquired are as follows;

	Book value at acquisition £m	Fair value adjustment £m	Fair value £m
Intangible Assets	21.8	-	21.8
Plant, property and equipment	1,924.2	201.3	2,125.5
Pension scheme surplus	24.7	38.2	62.9
Trade and other receivables	67.9	-	67.9
Cash and cash equivalents	77.9	-	77.9
Trade and other payables	(99.1)	21.6	(77.5)
Deferred tax liabilities	(316.3)	(157.1)	(473.4)
Non current liabilities	(364.8)	354.0	(10.8)
Long term debt	(658.8)	10.2	(648.6)
	677.5	468.2	1,145.7
Goodwill			-
Total consideration			1,145.7
Satisfied by			
-cash consideration			1,140.0
-costs of acquisition			5.7
			1,145.7
Net cash outflow arising on acquisition			
Cash consideration			1,140.0
Acquisition costs			5.7
Cash and cash equivalents acquired			(77.9)
			1,067.8

In performing the fair value exercise, the Directors identified a number of book to fair value differences, the most significant of which are discussed below. In determining the goodwill and intangible assets that arise on acquisition, the directors have not been able to separately identify the value of the licence, under which ENW operate, from the regulated asset base. As a result of this, the directors have not been able to determine an appropriate value of goodwill. Due to the nature of the business, the directors anticipate that the majority of any intangible asset value will be attributable to the licence. The licence is viewed as being held to perpetuity, however is currently not separately identifiable from the regulated assets and therefore has been depreciated over the relevant period. The directors will revisit this allocation whilst undertaking their review of the provisional fair value adjustments in the next few months.

The inseparable group of assets was valued together and a fair value adjustment of £204.2 million was made to the operational assets, with a connected deferred tax liability of £57.2 million. This adjustment was offset by an additional fair value reduction in plant, property and equipment of £2.9 million.

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

27. ACQUISITIONS AND DISPOSALS (continued)

The other significant variance is in the measurement of consumer contributions, which are contributions received by customers in respect of plant, property and equipment. These are held as deferred income and are amortised over the estimated useful economic life of the related assets. At the date of acquisition, it was identified that there was no obligation associated with these contributions and as a result a fair value adjustment has been made to eliminate these balances. The impact was to reduce the fair value of consumer contributions within current liabilities by £25.1 million and of the non-current liabilities by £354.0 million. An adjustment to increase the deferred tax liability by £106.2 million, included within the fair valuation adjustment of deferred tax, was made as a result.

ENW contributed £98.9 million revenue and £62.5 million to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

28. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is North West Electricity Networks (Holdings) Limited and the ultimate parent undertaking is North West Electricity Networks (Jersey) Limited, a company registered in Jersey. The external address of the ultimate parent company is: Whiteley Chambers, Don Street, St Helier, Jersey, JE4 9WG.

There are two joint ultimate controlling parties, each controlling 50% of the company's shares and voting rights. They are JP Morgan Infrastructure Investments fund and Colonial First State.

29. CASH GENERATED FROM OPERATIONS

	Group 2008 £m	Company 2008 £m
Cash generated from operations		
Profit/(loss) before taxation	43.5	(8.0)
Adjustment for investment income, finance expense and other gains and losses	9.1	6.7
Operating profit	52.6	(1.3)
Adjustments for:		
Depreciation of property, plant and equipment	18.0	-
Amortisation of intangible assets	1.0	
Amortisation of customer contributions	(0.1)	-
Profit on disposal of property, plant and equipment	(0.2)	-
Movement in restructuring provision	(2.1)	-
Changes in working capital		
Decrease/(increase) in trade and other receivables	21.5	(0.6)
Increase in provisions and payables	15.9	0.1
Cash generated from continuing operations	106.6	(1.8)

NOTES TO THE ACCOUNTS

For the period from 15 November 2007 to 31 March 2008

30. EVENTS AFTER THE BALANCE SHEET DATE

The Group has entered into two derivative contracts to hedge the yield of anticipated bond issues within the Group in the 2008/09 financial year; comprising £200m of gilt locks and a £170m index linked swap. The hedge has been taken out in respect of a proposed financial restructuring in the year.

GLOSSARY OF DEFINED TERMS

The following terms are used throughout this Prospectus:

Definitions

“**Acceleration of Liabilities**“ or “**Acceleration**“ means an acceleration of any Secured Liabilities or termination of a commitment (or equivalent action) including:

- (a) the early termination of any hedging obligations (whether by reason of an event of default, termination event or other right of early termination) under an NWEN Programme Hedging Agreement; or
- (b) the taking of any other steps to recover any payment due in respect of any Secured Liabilities, which have matured for repayment or become immediately due and repayable and are overdue, by a Secured Creditor or Secured Creditors pursuant to the terms of the applicable Finance Document and in accordance with the STID,

and “**acceleration**“ and “**accelerate**“ will be construed accordingly.

“**Accession Memorandum**“ means:

- (a) with respect to the STID, each memorandum to be entered into pursuant to clause 2 (*Accession*) or clause 19 (*Benefit of Deed*) (as applicable) of the STID and which is substantially in the form set out in schedule 1 (*Form of Accession Memorandum*) to the STID;
- (b) with respect to the Note Trust Deed, a memorandum in substantially the form set out in (i) schedule 5 (*Form of Accession Memorandum - Financial Guarantor*) to the Note Trust Deed pursuant to which a Financial Guarantor accedes to the Note Trust Deed; or (ii) schedule 6 (*Form of Accession Memorandum - Guarantor*) to the Note Trust Deed pursuant to which a Guarantor accedes to the Note Trust Deed;
- (c) with respect to the Agency Agreement, a memorandum in substantially the form set out in schedule 3 (*Form of Accession Memorandum*) to the Agency Agreement pursuant to which a Guarantor accedes to the Agency Agreement; or
- (d) with respect to the Tax Deed of Covenant, a memorandum in substantially the form set out in the schedule 2 (*Form of Deed of Accession*) to the Tax Deed of Covenant pursuant to which a Permitted Subsidiary accedes to the Tax Deed of Covenant.

“**Acquisition Debt**“ means the Financial Indebtedness created pursuant to the facilities agreement dated 22 November 2007 between North West Electricity Networks Limited (as borrower and guarantor), North West Electricity Networks (Finance) Limited (as guarantor), North West Electricity Networks (Holdings) Limited (as guarantor) and HSBC Bank plc (as mandated lead arranger, original lender, agent and security trustee), as amended and restated on 14 April 2008 and from time to time.

“**Additional Indebtedness Test**“ means in respect of raising additional Financial Indebtedness:

- (a) the Net Debt to RAV Ratio for each Relevant Period calculated by reference to the then most recently occurring Covenant Calculation Date, taking into account the proposed additional indebtedness, must not be more than 90 per cent.; and
- (b) the Adjusted ICR for each Relevant Period calculated by reference to the then most recently occurring Covenant Calculation Date, taking into account the proposed additional indebtedness, must not be less than 1.1x.

“**Additional Secured Creditor**“ means any person not already a Secured Creditor which becomes a Secured Creditor pursuant to the provisions of clause 2 (*Accession*) of the STID (provided that, for the avoidance of doubt, any Subordinated Creditor acceding to the STID pursuant to Clause 2.5 (*Accession of Subordinated Creditor*) of the STID will not constitute a Secured Creditor).

“**Adjusted ICR**“ means, in respect of a Relevant Period, the interest cover ratio, which shall be calculated as the ratio of Net Cash Flow less Regulatory Depreciation (in respect of such Relevant Period) to Net Interest Service (in respect of such Relevant Period).

“**Affiliate**“ means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company.

“**Ancillary Documents**“ means the valuations, reports, legal opinions, tax opinions, accountants’ reports and the like addressed to or given for the benefit of the Security Trustee, any Obligor or any Secured Creditor in respect of the Security Assets.

“**Applicable Accounting Principles**“ means in respect of the Issuer, IFRS or in respect of the other members of the NWEN Financing Group, IFRS or generally accepted accounting principles in the United Kingdom as applied from time to time.

“**Appointed Business**“ means the business of distributing electricity in the North West of England, providing metering and connection services in that area and any other business from time to time permitted in accordance with the terms of ENW’s Licence or as permitted by or is subject to a derogation or waiver of the Regulator.

“**Asset Services Agreement**“ means the agreement entitled “Asset Services Agreement relating to the Asset Owner’s Electricity Distribution Network” dated 9 March 2007 between United Utilities Electricity plc (now ENW) and United Utilities Electricity Services Limited (as amended on 5 October 2007) as further amended, restated or supplemented from time to time.

“**Associate**“ means:

- (a) any person who has a Controlling interest in any member of the NWEN Financing Group; and
- (b) any person who is Controlled by a member of the NWEN Financing Group,

and in each case, any Affiliate of such person.

“**Auditors**“ means Deloitte or the auditors of each member of the NWEN Financing Group from time to time.

“**Authorised Credit Facility**“ means any facility or agreement entered into by NWEN or the Issuer for Senior Debt as permitted by the terms of the CTA, the providers of which are parties to, or have acceded to, the STID and the CTA, and includes, without limitation, any DSR Liquidity Facilities, the Capex Facility Agreement, the Issuer/NWEN Loan Agreements, the NWEN Programme Hedging Agreements and any other document entered into in connection with the foregoing facilities or agreements or the transactions contemplated in the foregoing facilities or agreements (excluding, however, the Dealership Agreement and the Common Agreements).

“**Authorised Credit Facility Agent**“ means any facility agent under any Authorised Credit Facility.

“**Authorised Credit Facility Provider**“ means a lender or other provider of credit or financial accommodation under any Authorised Credit Facility (and includes, on or around the Signing Date, each Capex Facility Provider).

“**Authorised Investments**“ means:

- (a) securities issued by the government of the United Kingdom;
- (b) demand or time deposits, certificates of deposit and short-term unsecured debt obligations, including commercial paper, or other investments with similar liquidity and effective credit quality characteristics to time deposits, provided that the issuing entity or, if such investment is guaranteed, the guaranteeing entity, is rated the Minimum Short-term Rating or (if the relevant Authorised Investments have an original maturity in excess of one year) the Minimum Long-term Rating;
- (c) any other obligations, provided that in each case the relevant investment has the Minimum Short-term Rating or (if the relevant Authorised Investments have an original maturity in excess of one year) the Minimum Long-term Rating and is denominated in sterling or has been hedged in accordance with the Hedging Policy; and
- (d) any liquidity funds and any other money market funds having the Minimum Short-term Rating.

“**Authorised Signatory**“ means any person who is duly authorised by any Obligor or any Party (such authorisation not having been withdrawn at the relevant time) and in respect of whom a certificate has been provided signed by a director of that Obligor or such Party setting out the name and signature of that person and confirming such person’s authority to act.

“**Authority**“ means the Gas and Electricity Markets Authority that is established under section 1 of the Utilities Act 2000.

“**Available DSR Liquidity Commitment**” means on any day, an amount equal to the aggregate commitment of each DSR Liquidity Facility Provider under its DSR Liquidity Facility Agreement less the aggregate principal amount which it has advanced and/or has been rolled-over (including by way of a Standby Drawing) and which at such time has not been repaid under that DSR Liquidity Facility Agreement.

“**Available DSR Liquidity Amount**“ means on any day, an amount equal to the sum of:

- (a) the aggregate Available DSR Liquidity Commitment; and
- (b) the aggregate Available Standby Amount,

under each DSR Liquidity Facility Agreement.

“**Available Standby Amount**“ means on any day, an amount equal to the aggregate of all outstanding Standby Drawings made under any DSR Liquidity Facility Agreements less an amount equal to the aggregate of all withdrawals made by NWEN from the Debt Service Reserve Account in respect of amounts funded by way of Standby Drawings.

“**Base Currency**“ means pounds Sterling.

“**Borrowings**“ means, at any time, Financial Indebtedness:

- (a) excluding any liabilities of the type referred to in paragraph (g) of the definition of Financial Indebtedness (but including any counter-indemnity obligation which is due and payable);
- (b) excluding any debt as between members of the NWEN Financing Group or any Structural Intragroup Loans; and
- (c) including (without double counting and for the avoidance of doubt) any accretion portion of Financial Indebtedness which is indexed.

“**Business Day**“ means (other than in any Hedging Agreement or the Capex Facility Agreement, where “Business Day” has the meaning given to it in that Hedging Agreement or the Capex Facility Agreement (as applicable)):

- (a) in relation to any sum payable in euro, a TARGET 2 Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in London and each (if any) additional city or cities specified in the relevant Final Terms; or
- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the principal financial centre of the currency in which such financial indebtedness is denominated (which in the case of a payment in U.S. Dollars shall be New York) and in each (if any) additional city or cities specified in the relevant Final Terms; or
- (c) other than in relation to the making of any payment, a day on which commercial banks and foreign exchange markets settle payments generally in London.

“**Calculation Amount**“ has the meaning specified in the relevant Final Terms.

“**Calculation Date**“ has the meaning given to it in the Conditions.

“**Call Option**“ means, if specified in the relevant Final Terms, the Issuer’s option to redeem the relevant Notes pursuant to Condition 8(b) (Redemption at the Option of the Issuer).

“**Capex Facility**“ means the term loan facility made available by the Capex Facility Provider to NWEN on or about the Signing Date pursuant to the Capex Facility Agreement to meet the capital expenditure and general corporate purposes of the NWEN Financing Group;

“**Capex Facility Agent**“ means HSBC Bank plc in its capacity as agent bank appointed under the Capex Facility Agreement;

“**Capex Facility Agreement**“ means the agreement documenting the Capex Facility;

“**Capex Facility Provider**“ means each of Barclays Bank PLC, HSBC Bank plc and The Royal Bank of Scotland plc or any respective successor thereto;

“**Capital Expenditure**“ means any expenditure or obligation in respect of expenditure which, in accordance with Applicable Accounting Principles, is treated as capital expenditure (including the capital element of any expenditure obligation in connection with a finance lease).

“**Cash**“ means, at any time, cash denominated in sterling or euro or any other major international currency in hand or at bank and (in the latter case) credited to a bank account in the name of a member of the NWEN Financing Group and to which a member of the NWEN Financing Group is alone (or together with other members of the NWEN Financing Group) beneficially entitled and for so long as:

- (a) that cash is repayable on demand;
- (b) repayment of that cash is not contingent on the prior discharge of any other Financial Indebtedness of any member of the NWEN Financing Group or of any other person whatsoever or on the satisfaction of any other condition;
- (c) there is no Security Interest over that cash except pursuant to the Finance Documents and any Permitted Security Interest constituted by a netting or set-off arrangement entered into by members of the NWEN Financing Group in the ordinary course of their banking arrangements;

- (d) the cash is freely available to be applied in repayment or prepayment of the Senior Debt or, in the case of ENW, the cash is freely available for distribution to NWEN; and
- (e) the cash has not accrued as a result of, nor is attributable to, an Overpayment,

moneys standing to the credit of the Debt Service Reserve Account shall constitute Cash for the purpose of this definition.

“**Cash Management Side Letter**“ means the side letter entered into between, amongst others, NWEN, the Issuer, the Cash Manager, the Standstill Cash Manager the Security Trustee, the Note Trustee, the Initial Account Bank and the Principal Paying Agent in connection with certain cash management and payment mechanics relating to the Payment Priorities.

“**Cash Manager**“ means (i) during and after a Standstill Period (except where a Standstill Period is terminated pursuant to clause 13.4.1(iii) (Termination of Standstill) of the STID), the Standstill Cash Manager, and (ii) at all other times ENW.

“**Change of Control**“ means:

- (a) on and from the Programme Date, SPV HoldCo ceasing to hold legally and beneficially 100 per cent. of the issued share capital of NWEN; or
- (b) NWEN ceasing to hold (i) legally and beneficially 100 per cent. of the issued share capital of ENW or (ii) beneficially, 100 per cent. of the issued share capital of the Issuer.

“**Clearstream, Luxembourg**“ means Clearstream Banking, société anonyme.

“**Common Agreements**“ means any Security Document, the Note Trust Deed, the Common Terms Agreement, the Master Definitions Agreement, each Account Bank Agreement, the CP Agreement, the Tax Deed of Covenant, the Calculation Agency Agreement(s) and any Finance Document to which no Secured Creditor other than the Security Trustee and/or the Issuer and/or any Agent is a party.

“**Common Safekeeper**“ means, in respect of Notes where the relevant Final Terms indicate that the relevant Global Note is a New Global Note, the common safekeeper for Euroclear and/or Clearstream, Luxembourg appointed in respect of the Notes in accordance with the Note Trust Deed and the Agency Agreement.

“**Companies Act 2006**“ means the United Kingdom Companies Act 2006.

“**Compliance Certificate**“ means a certificate, substantially in the form set out in Schedule 9 (Form of Compliance Certificate) to the Common Terms Agreement, in which NWEN, periodically, provides certain financial statements to the Security Trustee (and any Rating Agency on request) as required by the Common Terms Agreement.

“**Control**“ of one person by another person means (other than in the Tax Deed of Covenant where it has the meaning defined therein) that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise and whether acting alone or in concert with another or others) has the power to appoint and/or remove the majority of the members of the governing body of that person or otherwise controls or has the power to control the affairs and policies of that person (and references to “**Controlled**” and “**Controlling**” shall be construed accordingly).

“**Covenant Calculation Date**“ means the last day of each financial year and last day of each financial half year of the NWEN Financing Group.

“**Currency Hedging Agreement**“ means any Hedging Agreement with a Hedge Counterparty in respect of currency exchange transactions.

“**Debt**“ means Financial Indebtedness incurred by the Obligors pursuant to the Programme from time to time.

“**Debt Service Ledger**“ means the ledger on the Debt Service Payment Account maintained in accordance with the CTA and into which are credited, *inter alia*, any dividends received by NWEN from ENW and amounts paid by ENW to NWEN pursuant to the NWEN/ENW Loan Agreement.

“**Debt Service Payment Account**“ means the account of NWEN entitled the “Debt Service Payment Account” held at the Initial Account Bank and includes any sub-account relating to that account and any replacement account from time to time.

“**Debt Service Reserve Account**“ means the account of NWEN entitled the “Debt Service Reserve Account” held at the Initial Account Bank and includes any sub-account relating to that account and any replacement account from time to time.

“**Debt Service Reserve Account Balance**“ means on any day, the aggregate amount standing to the credit of the Debt Service Reserve Account less the Available Standby Amount.

“**Decision Period**“ has the meaning ascribed thereto in clause 9.2.4 of the STID.

“**Default**“ means an Event of Default, a Trigger Event or a Potential Event of Default.

“**Default Situation**“ means any period during which there subsists an Event of Default.

“**Determination Restricted Period**“ means the period commencing on (and including) a Determination Date and ending on (and including) the immediately following Payment Date.

“**Distribution Connection and Use of System Agreement**” means the multiparty contract originally entered into in 2006 between the licensed electricity distributors, suppliers and generators in Great Britain which is referred to in standard condition 22 of the Licence and which is concerned with the use of electricity distribution systems to transport electricity to or from connections to them or any agreement or other instrument which for the time is a replacement for that 2006 agreement and makes analogous provision.

“**Dormant Company**“ means a company:

- (a) which has been dormant since its incorporation or since the end of its previous financial year (and for this purpose “dormant” has the meaning given to it in Section 1169 of the Companies Act 2006);
- (b) the value of whose total assets is less than £1,250,000 (or its equivalent in another currency or currencies); and
- (c) which holds no shares in any other person (other than another Dormant Company).

“**Dormant ENW Subsidiary**“ means each of the following Subsidiaries of ENW:

- (a) NB Property and Estate Services No 1 Ltd;
- (b) NB Leasing Ltd; and
- (c) NB Miles Platting Community Project Limited;

“**DSR Liquidity Facility**“ means a debt service reserve liquidity facility made available under a DSR Liquidity Facility Agreement.

“**DSR Liquidity Facility Agent**“ means, in respect of any DSR Liquidity Facility Agreement, the facility agent under such DSR Liquidity Facility Agreement.

“**DSR Liquidity Facility Agreement**“ means any DSR liquidity facility agreement entered into from time to time by NWEN with a DSR Liquidity Facility Provider.

“**DSR Liquidity Facility Provider**“ means any lender under a DSR Liquidity Facility Agreement who has acceded to the STID as a Secured Creditor.

“**Due for Payment**“ has the meaning given to it in the relevant Financial Guarantee.

“**DUoS**“ means Distribution Use of System.

“**DUoS Billing Adjustment**“ means an amount of money received by ENW within a period of five Business Days following a Covenant Calculation Date, as payment for services provided no later than the Covenant Calculation Date for which payment was due to ENW on or prior to the Covenant Calculation Date or where payment has been delayed or due within five (5) Business Days of the Covenant Calculation Date as a result of delays in the billing process in the month ending on the Covenant Calculation Date.

“**Early Termination Date**“ has the meaning given to such term in the applicable Hedging Agreement.

“**EBIT**“ means, in respect of any period for which it is being calculated, the consolidated operating profit of the NWEN Financing Group before taxation (including the results from discontinued operations):

- (a) **before deducting** any Interest Service;
- (b) **before including** any Interest Receivable;
- (c) **not including** any accrued interest owing to any member of the NWEN Financing Group;
- (d) **before taking into account** any Exceptional Items;
- (e) **after deducting** the amount of any profit (or adding back the amount of any loss) of any member of the NWEN Financing Group which is attributable to minority interests;
- (f) **after deducting** the amount of any profit of any Non-Group Entity to the extent that the amount of the profit included in the financial statements of the NWEN Financing Group exceeds the amount actually received in cash by members of the NWEN Financing Group through distributions by the Non-Group Entity;
- (g) **before taking into account** any unrealised gains or losses on any derivative instrument or financial instrument;
- (h) **before taking into account** any gain or loss arising from an upward or downward revaluation of any other asset;
- (i) **before taking into account** any gain or loss from the disposal of any asset to the extent that the net aggregate of gains or losses in the period exceeds £1,000,000 (indexed);
- (j) **before taking into account** any Pensions Deficit Repair Amounts; and
- (k) **excluding** the charge to profit represented by the expensing of stock options,

in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the NWEN Financing Group before interest and taxation.

“**EBITDA**“ means, in respect of any period for which it is calculated, EBIT for that period after adding back any amount attributable to the amortisation, depreciation or impairment of assets of members of the NWEN Financing Group during that period (and taking no account of the reversal of any previous impairment charge made in that period).

“**Emergency**“ means the disruption of the normal service of the distribution of electricity to the extent that it is treated as a major emergency under ENW’s policies, standards and procedures and requires actions on the part of ENW which would otherwise be inhibited or delayed by the provisions of the Finance Documents.

“**Emergency Instruction Procedure**“ means an emergency instruction procedure provided for in the STID, subject to Entrenched Rights and Reserved Matters, to cater for circumstances when a Default Situation is subsisting, and certain decisions and instructions may be required in a timeframe which does not allow the Note Trustee to convene Noteholder meetings.

“**Energy Administration Order**“ or “**EAO**“ means an order made pursuant to Section 156 of the Energy Act.

“**Energy Administrator**“ means, with respect to ENW, an administrator appointed in accordance with the Energy Act 2004.

“**Enforcement Action**“ means any step that a Secured Creditor is entitled to take, subject to and in accordance with the STID, to enforce its rights to repayment in respect of any Qualifying Senior Debt upon and following the occurrence of an Event of Default.

“**Enforcement Order**“ means any order, direction, or decision issued by the Regulator under Section 25 of the Electricity Act to enforce ENW’s compliance with the terms of its Licence.

“**Entrenched Rights**“ means the rights of the Secured Creditors (as applicable) provided by the terms of clauses 8.3 (*Entrenched Rights of Senior Debt Providers and the Standstill Cash Manager*) to 8.6 (*Entrenched Rights of the NWEN Programme Hedge Counterparties*) (inclusive) of the STID.

“**Environment Agency**“ means the non-departmental public body of the Department for Environment, Food and Rural Affairs created under the Environment Act 1995.

“**Environmental Claim**“ means any claim, proceeding or investigation by any person pursuant to any Environmental Law.

“**Environmental Law**“ means any applicable law (including any applicable regulations imposed by any relevant regulatory authority) in any jurisdiction in which ENW conducts its business which relates to the pollution or protection of the environment or harm to or the protection of human health or the health of animals or plants.

“**Environmental Permits**“ means any permits, licences, consents, approvals and other authorisations, and the filing of any notification, report or assessment required under any Environmental Law for the operation of the businesses of any member of the NWEN Financing Group.

“**ENW Business Financial Model**“ means the latest business financial model prepared by ENW and delivered to the Security Trustee from time to time, in accordance with the Common Terms Agreement.

“**ENW Conditions**“ means the terms and conditions of the notes issued pursuant to E the NW Note Programme as set out in the trust deed dated 17 July 2009 between, *inter alios*, ENW, the ENW Issuer and The Law Debenture Trust Corporation p.l.c..

“**ENW Default**“ means an ENW Event of Default or an ENW Potential Event of Default.

“**ENW Event of Default**“ means in respect of ENW or any member of the ENW Group, an event of default under the ENW Note Programme.

“**ENW Group**“ means at anytime, ENW, the ENW Issuer and each of ENW’s Subsidiaries.

“**ENW Group Hedge Counterparties**“ means collectively, the Existing ENW Group Hedge Counterparties and the counterparties under any New ENW Group Hedge Agreements, each of which is individually an “**ENW Group Hedge Counterparty**”.

“**ENW Group Hedging Agreements**“ means collectively, the Existing ENW Group Hedging Agreements and the New ENW Group Hedging Agreements, each of which is individually, an “**ENW Group Hedging Agreement**“.

“**ENW Issuer**“ means ENW Finance plc, a public company incorporated in England and Wales with limited liability.

“**ENW Issuer/NWEN Loan Agreement**“ means the loan agreement entered into between the ENW Issuer and NWEN on or prior to the Signing Date pursuant to which the ENW Issuer initially advanced £20.5 million to NWEN in connection with a back-to-back hedging arrangement between ENW and the ENW Issuer in respect of an index-linked swap.

“**ENW Net Debt to RAV Ratio**“ means with respect to ENW on any Covenant Calculation Date, the ratio of Net Debt to RAV (each term as defined in the ENW Conditions) as at such Covenant Calculation Date, or in the case of forward-looking ratios for Relevant Periods ending after such Covenant Calculation Date, as at 31 March falling in such Relevant Period.

“**ENW Note Programme**“ means the £1,000,000,000 medium term note programme of the ENW Issuer (guaranteed by ENW), as described in the prospectus dated 16 July 2009.

“**ENW Potential Event of Default**“ means, in respect of ENW or any member of the ENW Group, any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination (in each case where the lapse of time and/or giving of notice and/or determination is provided for in the terms of such ENW Event of Default, and assuming no intervening remedy), would constitute an ENW Event of Default.

“**Equivalent Amount**“ means the amount in question expressed in the terms of the Base Currency, calculated on the basis of the Exchange Rate.

“**EURIBOR**“ has the meaning given to that term in the relevant Finance Document.

“**Eurosystem**“ means the monetary authority of the Member States which have adopted the euro as their sole official currency.

“**Event of Default**“ means (other than in any NWEN Programme Hedging Agreement when used in relation to an NWEN Programme Hedge Counterparty, where “Event of Default” has the meaning given to it in that NWEN Programme Hedging Agreement) an event specified as such in schedule 6 (*Events of Default*) to the Common Terms Agreement.

“**Exceptional Items**“ means any exceptional, one off, non-recurring or extraordinary items, including, without limitation, those arising on:

- (a) the restructuring of the activities of any entity and reversals of any provisions for the cost of restructuring;
- (b) disposals, revaluations or impairment of non-current assets; and
- (c) disposals of assets associated with discontinued operations.

“**Excess Cash**” means:

- (a) on each Payment Date, any amounts of Excess Funds standing to the credit of the Debt Service Ledger of the Debt Service Payment Account following the payment of the Permitted Payments in accordance with the Payment Priorities on such Payment Date; and
- (b) at any time, any amounts permitted (in accordance with, *inter alia*, the terms of the CTA) to be drawn down by NWEN under any Authorised Credit Facility, to the extent that such amounts are not required to be applied towards (a) repayment of the Acquisition Debt, or (b) making a loan to ENW pursuant to the NWEN/ENW Loan Agreement or subscribing for shares in ENW.

“**Excess Cash Ledger**“ means the ledger on the Debt Service Payment Account maintained in accordance with the CTA and into which are credited, amounts constituting Excess Cash.

“**Exchange Rate**“ means the spot rate at which the Non-Base Currency is converted to the Base Currency as quoted by the Agent Bank as at 11.00 a.m.:

- (a) for the purposes of clause 9.3 (*Notice to Secured Creditors of STID Proposal*) and clause 9.6 (*Senior DIG Directions Request*) of the STID, respectively on the date that the STID Proposal or Senior DIG Proposal (as applicable) is dated; and
- (b) in any other case, on the date as of which calculation of the Equivalent Amount of the Outstanding Principal Amount is required,

and in each case, as notified by the Agent Bank to the Security Trustee.

“**Excluded Accounts**“ means the Debt Service Reserve Account to the extent the balance standing to the credit of such account is attributable to a Standby Drawing under the relevant DSR Liquidity Facility, and each Swap Collateral Account.

“**Existing Disposal Commitment**“ means:

- (a) the transfer of an asset or grant of an interest in it in pursuance of an obligation binding on ENW by virtue of the Asset Services Agreement or another Permitted Outsourcing; or
- (b) binding contractual commitments with respect to a sale, lease, licence, transfer or other disposal entered into by, or binding upon, ENW or its Subsidiaries (as the case may be) prior to the Programme Date in respect of:
 - (i) the transfer of the legal interest in telecommunications assets, the equitable interest in which was transferred to Thus plc by virtue of the sale by United Utilities plc (or one of its subsidiaries) of the telecommunications business formerly conducted by Your Communications Limited;
 - (ii) radio mast and aerial capacity (both tangible and intangible assets) transferred to United Utilities Property Solutions Limited and the subject of an agreement between that party and the Shere Group Limited and Radiosites Limited amended and restated on 22 December 2004;
 - (iii) interests in land formerly used for sub-stations, electric line supporting poles or towers, or by way of cable easements acquired on terms providing for the transfer or surrender of the interest to a third party upon ceasing to be so used, whether those terms comprise an option or its equivalent or provide for the payment of compensation in the event that the interest is not voluntarily so transferred by ENW; and
 - (iv) transfers of legal interests in retail premises, or premises formerly used for retail purposes, where the obligation to transfer arose by virtue of the sale by ENW in November 1996 of its business in electrical goods retailing.

“Existing ENW Bonds“ means:

- (c) the Existing ENW Fixed Rate Notes; and
- (d) the £100,000,000 1.4746 per cent. index-linked bonds due April 2046 issued by ENW on or around 4 April 2006.

“Existing ENW Facilities“ means:

- (a) the facility agreement dated 10 October 1997 (as amended on 20 February 2002, 5 December 2002 and 19 January 2007) between United Utilities Electricity PLC (since renamed ENW) and Mizuho Corporate Bank Limited; and
- (b) the facility agreement dated 29 June 2005 between United Utilities Electricity PLC (since renamed ENW) and the Commonwealth Bank of Australia.

“Existing ENW Fixed Rate Notes“ means the £450,000,000 8.875 per cent. bonds due 2026 issued by ENW on or around 28 July 1995, 4 July 2001, 18 December 2001 and 11 February 2002.

“Existing ENW Group Hedge Counterparties“ means collectively, the counterparties to ENW or the ENW Issuer in respect of the Existing ENW Group Hedging Agreements, each of which is individually an **“Existing ENW Group Hedge Counterparty“**.

“Existing ENW Group Hedging Agreements“ means collectively, the hedging arrangements set out in part A of schedule 14 (*Existing ENW Group Hedging Agreement*) to the CTA and the index-linked back-to-back swap entered into on or about the Signing Date between ENW and the ENW Issuer, each of which is individually an **“Existing ENW Group Hedging Agreement“**.

“Extended Decision Period“ has the meaning ascribed thereto in clause 9.2.4 of the STID.

“Facility Agent“ means any facility agent under any Authorised Credit Facility.

“FG Event of Default“ means in relation to any Financial Guarantor, such events as are specified in that Financial Guarantor’s G&R Deed or equivalent document and, in relation to Wrapped Notes, set out in the relevant Final Terms.

“FG Excepted Amounts“ means any additional amounts relating to premium, prepayment or acceleration, accelerated amounts and Subordinated Step-up Fee Amounts.

“Finance Documents“ means:

- (a) the Security Documents;
- (b) the Note Trust Deed;
- (c) the Notes issued under the Programme from time to time (including the applicable Final Terms);
- (d) each Financial Guarantee;
- (e) each G&R Deed;
- (f) each Financial Guarantee Fee Letter;
- (g) the NWEN Programme Hedging Agreements and any other credit support or collateral documentation entered into in connection therewith or pursuant thereto;
- (h) the Common Terms Agreement;
- (i) the Cash Management Side Letter;

- (j) any Issuer/NWEN Loan Agreement;
- (k) the NWEN/ENW Loan Agreement;
- (l) the Capex Facility Agreement;
- (m) each DSR Liquidity Facility Agreement;
- (n) the Agency Agreement;
- (o) the Master Definitions Agreement;
- (p) the Issuer/ICSD Agreement;
- (q) each Account Bank Agreement;
- (r) the CP Agreement;
- (s) the Tax Deed of Covenant;
- (t) any Indemnification Deed;
- (u) any other Authorised Credit Facilities; and
- (v) each agreement or other instrument between an Obligor and an Additional Secured Creditor designated as a Finance Document by such Obligor, the Security Trustee and such Additional Secured Creditor in the Accession Memorandum for such Additional Secured Creditor, in each case as such document may be amended, varied, supplemented, novated or replaced as permitted in the Common Terms Agreement.

“Finance Party” means any person providing financial accommodation pursuant to an Authorised Credit Facility including all arrangers, agents and trustees appointed in connection with any such Authorised Credit Facility.

“Financial Guarantee Fee” means any fees and/or premia payable to the Financial Guarantor under a Financial Guarantee Fee Letter.

“Financial Guarantee” means any financial guarantee issued by a Financial Guarantor in respect of any Wrapped Note.

“Financial Guarantee Fee Letter” means each letter to be entered into between the Issuer and the Financial Guarantors containing the fees and/or premia to be paid by the Issuer in respect of any Financial Guarantees to be issued by the Financial Guarantors.

“Financial Guarantor” means any person which provides a Financial Guarantee in respect of any of the Wrapped Notes, and “Financial Guarantors” means all of them if there is more than one at any time.

“Financial Indebtedness” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any nominal principal amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument (including, for the avoidance of doubt, any accretion from any index-linked debt obligations);
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the Applicable Accounting Principles, be treated as a finance or capital lease;

- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) (i) any accretion under an Index-Linked Hedging Agreement or (ii) if any actual amount is due as a result of the termination or close-out of that hedging arrangement, that amount shall be included;
- (g) any counter-indemnity obligations in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- (h) any amount of any liability under an advance or deferred purchase agreement if either (i) one of the primary reasons behind entering into the agreement is to raise finance; or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 120 days (or 270 days in the case of a purchase of group tax relief from an Affiliate) after the date of supply;
- (i) any arrangement pursuant to which an asset sold by the Obligor or otherwise disposed of by that person may be re-acquired by a member of the NWEN Financing Group (whether following the exercise of an option or otherwise, the purpose of which is to raise finance);
- (j) any amount raised by the issue of redeemable shares;
- (k) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; and
- (l) the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (k) above but excluding for the avoidance of doubt, notes, bonds, stock or other indebtedness held by the Holding Companies of SPV HoldCo which is not connected to the Finance Documents.

“**Financial Statements**“ means, at any time, the most recent financial statements (excluding, for the avoidance of doubt, regulatory accounts) of an Obligor, consolidated where applicable, most recently delivered to the Security Trustee.

“**Financial Year**“ means each period of four consecutive financial quarters ending on 31 March in each year.

“**Good Industry Practice**“ in relation to the conduct of a business or activity means its conduct in good faith using standards, practices, methods and procedures conforming to all its material contractual obligations and all laws and regulations and licences and exercising the degree of skill, prudence, diligence and foresight which would reasonably be exercised by a skilled and experienced person engaged in the same type of undertaking in similar circumstances.

“**Governmental Agency**“ means and includes, in relation to a state or supranational organisation, any agency, authority, central bank, department, government, legislature, ministry, official or public person (whether autonomous or not) of, or of the government of, that state or supranational organisation.

“**Guarantee**“ means, in relation to each Guarantor, the guarantee of such Guarantor given by it pursuant to the Security Document to which it is a party.

“**Guaranteed Amounts**“ has the meaning given to such term in the relevant Financial Guarantee.

“**Hedge Counterparties**“ means collectively, the NWEN Programme Hedge Counterparties and the ENW Group Hedge Counterparties.

“**Hedging Agreements**“ means collectively, the NWEN Programme Hedging Agreements and the ENW Group Hedging Agreements.

“**Hedging Policy**“ means the policy set out in schedule 7 (*Hedging Policy and Overriding Provisions relating to the NWEN Programme Hedging Agreements*) to the Common Terms Agreement for the purpose of hedging exposures to currency exchange, inflation and interest rate fluctuations.

“**HMRC**” means Her Majesty’s Revenue & Customs.

“**Holding Company**“ means a company which holds the majority of voting rights in another company, or is a member of such company and has the right to appoint or remove a majority of its board of directors or to control the exercise of a majority of voting rights (either alone or in concert), or which is a direct or indirect holding company of a company which is itself the holding company of that other company.

“**IFRS**“ means International Financial Reporting Standards as adopted by the EU.

“**Independent Review**“ means an independent review resulting from a Trigger Event as set out in paragraph 3 (*Independent Review*) of part 2 (*Trigger Event Consequences*) of schedule 5 (*Trigger Events*) to the Common Terms Agreement.

“**indexed**“ means, in respect of any reference to that amount (as previously indexed) as such amount may be adjusted up or down at the beginning of each calendar year by a percentage equal to the amount of percentage increase or, as the case may be, decrease in the Retail Price Index for such year.

“**Index-Linked Hedging Agreement**“ means any Hedging Agreement with a Hedge Counterparty in respect of index-linked swap transactions.

“**Index-Linked Notes**“ means Notes or a Series or Tranche specified as Index-Linked in the relevant Final Terms.

“**Initial Decision Period**“ has the meaning ascribed to it in clause 9.2.4 of the STID.

“**Insolvency Event**“ means, in respect of any person:

- (a) the initiation of or consent to Insolvency Proceedings by such person or any other person or the presentation of a petition for the making of an administration order or for the winding up of such person save for such proceedings which are frivolous or vexatious and which are discharged within 30 days of being made; or
- (b) the cessation or suspension of payment of its debts or a public announcement by such person of an intention to do so; or
- (c) such person is unable to pay its debts as they fall due within the meaning of section 123 of the Insolvency Act 1986 (other than section 123(1)(a) to (d) of the Insolvency Act 1986, provided that for the purpose of this paragraph (c), the words “to the satisfaction of the court” shall be deemed to be omitted from section 123(1)(e) and section 123(2) of the Insolvency Act 1986 (or is deemed for the purposes of any other law applicable to it to be insolvent); or
- (d) a moratorium is declared in respect of any indebtedness of such person; or
- (e) the making of an administration order or an Energy Administration Order in relation to such person; or
- (f) an encumbrancer taking possession of the whole or any part of the undertaking or assets of such person; or
- (g) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of such person and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within 30 days; or

- (h) the making of an arrangement, composition, reorganisation with or conveyance to or assignment for the creditors of such person generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such person generally; or
- (i) a meeting is convened for the purpose of considering a resolution or an effective resolution is passed or an order is made by a court of competent jurisdiction for the winding up or dissolution of such person; or
- (j) the appointment of an Insolvency Official in relation to such person or in relation to the whole or any part of the undertaking or assets of such person.

“**Insolvency Official**“ means, in respect of any company, a liquidator, provisional liquidator, administrator, energy administrator, administrative receiver, receiver or manager, nominee, supervisor, trustee, conservator, guardian or other similar official appointed in respect of such company or in respect of all or any part of the company’s assets or in respect of any arrangement or composition with creditors.

“**Insolvency Proceedings**“ means the winding-up, dissolution, administration or energy administration of a company or corporation and shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company or corporation is incorporated or of any jurisdiction in which such company or corporation carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, special administration, arrangement, adjustment, protection or relief of debtors.

“**Intellectual Property Right**“ means all right, title and interest in:

- (a) any trade mark, service mark, trade name, logo, patent, invention, design or similar right;
- (b) any designs, copyright, semi-conductor topography, database and know-how or intellectual property right; or
- (c) all such similar rights which may subsist in any part of the world, in each case whether registered or unregistered, whether in existence now or in the future, and includes any related application.

“**Interest Period**“ has the meaning given to it in the Conditions.

“**Interest Rate Hedging Agreement**“ means any Hedging Agreement with a Hedge Counterparty in respect of interest rate (including, to the extent relating to interest, index-linked) swap transactions;

“**Interest Receivable**“ means, in respect of any period for which it is being calculated of the NWEN Financing Group on a consolidated basis, all interest receivable and all other income and capital gains (after taking account of any capital losses) earned by the NWEN Financing Group in each case from its Authorised Investments (whether such amounts are paid or payable) during that Relevant Period or in respect of forward-looking ratios and interest receivable or other income (but not projected capital gains) that is receivable during such Relevant Period.

“**Interest Service**“ means, for any period for which it is being calculated, the aggregate amount of accrued interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in the nature of interest in respect of Borrowings (including net hedging payments (excluding break costs)) whether paid or payable by any member of the NWEN Financing Group (calculated on a consolidated basis) in respect of that period:

- (a) **excluding** any upfront fees or costs;
- (b) **including** the interest (but not the capital) element of payments in respect of finance leases;

- (c) **including** any commission, fees (including without limitation any fees in respect of any Pensions Letter of Credit), discounts and other finance payments payable by (and deducting any such amounts payable to) any member of the NWEN Financing Group under any hedging arrangement;
- (d) **excluding** any interest cost or expected return on plan assets in relation to any post-employment benefit schemes;
- (e) if a Joint Venture is accounted for on a proportionate consolidation basis, after adding the NWEN Financing Group's share of the finance costs or interest receivable of the Joint Venture; and
- (f) **taking no account of** (i) any unrealised gains or losses on any derivative instruments or financial instruments, and (ii) indexation accruals from index-linked debt or swaps,

and so that no amount shall be added (or deducted) more than once.

“Interim Payments Ledger” means the ledger on the Debt Service Payment Account maintained in accordance with the CTA and to which are credited those amounts retained in the Debt Service Payment Account pursuant to item (ix) of the Payment Priorities.

“Intra-group Debt Service Distribution” means (i) any dividends or other distributions out of post-tax profits and any distributable reserves, any amounts due to NWEN pursuant to the NWEN/ENW Loan Agreement and (ii) any other amounts owed, in each case payable by ENW to NWEN, and subject to ENW's financial, regulatory and operational commitments, the provisions of the ENW Conditions, the provisions of the Finance Documents, any fiduciary obligations of ENW's directors and ENW's obligations under its Licence;

“Investment Grade” means a rating of at least BBB- by S&P or BBB- by Fitch or Baa3 by Moody's (or any replacement notation therefor, or such equivalent ratings by any other internationally recognised credit rating agency).

“Investment Grade Issuer Credit Rating” means in respect of ENW for the purposes of the Licence, any of the following:

- (a) an issuer rating of not less than BBB- by S&P or any of its subsidiaries;
- (b) an issuer rating of not less than Baa3 by Moody's or any of its subsidiaries;
- (c) an issuer senior unsecured debt rating of not less than BBB- by Fitch or any of its subsidiaries; or
- (d) a rating which, in the Authority's opinion given by Notice to the licensee, is equivalent to any of those specified in sub-paragraph (a), (b) or (c) and is issued by:
 - any of the credit rating agencies referred to in those sub-paragraphs, or
 - (v) any other reputable credit rating agency which, in the Authority's opinion given by Notice to the licensee, has comparable standing in both the United Kingdom and the United States of America.

“Investors Report” means each report produced by NWEN to be delivered within 150 days after the end of each Financial Year, substantially in the form set out in schedule 10 (*Form of Investors Report*) to the Common Terms Agreement.

“ISDA” means International Swaps and Derivatives Association, Inc.

“**ISDA Master Agreement**“ means an agreement in the form of the 1992 or 2002 ISDA Master Agreement (Multi-Currency Cross Border) or any successor thereto published by ISDA unless otherwise agreed by the Security Trustee.

“**Issue Price**“ means the price as stated in the relevant Final Terms, generally expressed as a percentage of the nominal amount of the Notes, at which the Notes will be issued.

“**Issuer Financial Year**“ means each financial year of the Issuer ending on 31 March in each year.

“**Issuer Hedge Counterparties**“ means any counterparty to an Issuer Hedging Agreement who is or becomes a party to the STID in accordance with the STID, and “**Issuer Hedge Counterparty**” means any such counterparty.

“**Issuer Hedging Agreement**“ means any Treasury Transaction entered into by the Issuer with an Issuer Hedge Counterparty on or after the Signing Date in accordance with the Hedging Policy, the counterparty to which has acceded to the terms of the STID and the Common Terms Agreement and, save as specified in the Hedging Policy, has agreed to be bound by the terms of paragraphs 16 and 17 of Schedule 7 (*Hedging Policy and Overriding Provisions relating to NWEN Programme Hedging Agreements*) to the Common Terms Agreement and references to “**Issuer Hedging Agreements**“ shall be construed accordingly.

“**Issuer/ICSD Agreement**“ means the letter agreement between the Issuer and the relevant international central securities depository dated on or about the Signing Date relating to New Global Notes under the Programme.

“**Issuer/NWEN B2B Hedging Agreements**“ means collectively the hedging agreements entered into between the Issuer and NWEN in connection with respective corresponding Issuer Hedging Agreements on terms which substantially mirror the terms of the corresponding Issuer Hedging Agreements, each of which is individually, an “**Issuer/NWEN B2B Hedging Agreement**“.

“**Joint Venture**“ means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or other entity.

“**Junior HoldCo**“ means North West Electricity Networks (Finance) Limited.

“**LIBOR**“ has the meaning given to that term in the relevant Finance Document.

“**Licence**“ means, in respect of ENW, its licence pursuant to Section 6(1)(c) of the Electricity Act 1989 (as amended) with respect to the distribution of electricity to the North West of England and such other parts of Great Britain as approved by Ofgem from time to time.

“**Majority Creditors**“ means the Senior DIG Representatives in respect of more than 50 per cent. of the Voted Qualifying Senior Debt, as determined on a “pound for pound” basis (in the case of Qualifying Senior Debt denominated in a currency other than sterling, as calculated on the basis of the Exchange Rate).

“**Make Whole Amount**“ means (i) any spens or equivalent payment that may be required on a voluntary prepayment of fixed rate Notes by the Issuer to compensate the Noteholders for a future loss of yield and/or (ii) any other amount in excess of the Principal Amount Outstanding of such Notes (as defined in the Conditions) required to be paid in connection with the early repayment of any Notes in accordance with Condition 8(b) (*Redemption at the Option of the Issuer*) or Condition 8(d) (*Redemption on Prepayment of an Issuer/NWEN Loan Agreement*), as applicable, including any premia or similar payments.

“**Mandatory Cost Rate**“ means, in relation to any Authorised Credit Facility, the addition to the interest rate payable to compensate that Authorised Credit Facility Provider for the cost of compliance with the

requirements of the Bank of England and/or the FSA (or, in either case, any other authority which replaces all or any of its functions) in accordance with the formula(e) set out in the relevant Authorised Credit Facility.

“**Material Adverse Effect**“ means a material adverse effect on:

- (a) the business, assets or financial condition of the NWEN Financing Group taken as a whole; or
- (b) the ability of an Obligor to (i) perform any of its payment obligations under any of the Finance Documents (subject to any applicable grace periods); or (ii) comply with its obligations under Part 6 (*Financial Covenants*) of Schedule 4 (*Covenants*) to the Common Terms Agreement; or
- (c) the legality, validity or enforceability (subject to the legal reservations) of, any of the Finance Documents in a manner which is prejudicial in any material respect to the interests of the Secured Creditors.

“**Member State**“ means a member state of the European Union.

“**Minimum Long-term Rating**“ means, in respect of any person, such person’s long term unsecured and unsubordinated debt obligations being rated, in the case of S&P, “A” (save in respect of a Hedge Counterparty in respect of whom it will be A+) and, in the case of Fitch, “A” or their equivalent from time to time.

“**Minimum Rating**” means, in the case of S&P, the Minimum Short-term Rating and in the case of Fitch, the Minimum Short-term Rating and the Minimum Long-term Rating.

“**Minimum Short-term Rating**“ means, in respect of any person, such person’s short term unsecured and unsubordinated debt obligations being rated, in the case of S&P, “A-1”; and, in the case of Fitch, “F1” (or their equivalent from time to time).

“**Minor Disposal**“ means a disposal or disposals of assets in an aggregate amount not exceeding 2 per cent. of RAV during any regulatory year.

“**Month**“ means a calendar month.

“**National Grid**“ means the transmission system of electricity in England and Wales.

“**Net Cash Flow**“ means:

- (a) in respect of any historical element of a Relevant Period, the aggregate EBITDA of the NWEN Financing Group as determined in accordance with the Applicable Accounting Principles in respect of such period:
 - (i) adjusted to exclude any exceptional, one off or non-cash items and any over or under recoveries of ENW’s regulated entitlement calculated in accordance with the price control formulae set out in its Licence;
 - (ii) plus any net working capital decrease less any DUoS Billing Adjustment made in the previous Relevant Period, minus any net working capital increase plus any DUoS Billing Adjustment in the current Relevant Period;
 - (iii) minus corporation tax paid; and
 - (iv) adding the amount of any cash receipts during that period in respect of any Tax rebates or credits; and
- (b) in respect of any forward looking element of a Relevant Period, the aggregate of anticipated EBITDA of the NWEN Financing Group in respect of such period, adjusted to exclude any anticipated exceptional, one off or non-cash items and any over or under recoveries of ENW’s regulated

entitlement calculated in accordance with the price control formulae set out in its Licence, plus any anticipated net working capital decrease, minus any anticipated net working capital increase and minus anticipated corporation tax payable, and adding the amount of any anticipated cash receipts during that period in respect of Tax rebates or credits.

“**Net Debt**“ means, as at any particular time, the aggregate principal amount of all outstanding (or, in respect of a future date, forecast to be outstanding) obligations of the NWEN Financing Group (on a consolidated basis) in respect of Borrowings:

- (a) including in the case of finance leases, only the capitalised value thereof; and
- (b) excluding (for the avoidance of doubt) any un-crystallised mark to market amount relating to any Hedging Agreement,

less (i) Cash of the NWEN Financing Group, (ii) Authorised Investments of the NWEN Financing Group and (iii) any DUoS Billing Adjustment of the NWEN Financing Group.

“**Net Debt to RAV Ratio**“ means on any Covenant Calculation Date, the ratio of Net Debt to RAV as at such Covenant Calculation Date, or in the case of forward-looking ratios for Relevant Periods ending after such Covenant Calculation Date, as at 31 March falling in such Relevant Period.

“**Net Interest Service**“ means, in respect of any period for which it is being calculated, the Interest Service for that period minus the Interest Receivable for that period.

“**New ENW Group Hedge Counterparties**“ means any counterparty to a New ENW Group Hedging Agreement and “**New ENW Group Hedge Counterparty**“ means any such counterparty.

“**New ENW Group Hedging Agreement**“ means any Treasury Transaction entered into by ENW or the ENW Issuer on or after the Signing Date with an ENW Group Hedge Counterparty in accordance with the Hedging Policy, and references to “**New ENW Group Hedging Agreements**“ shall be construed accordingly.

“**New Global Note**“ means a Global Note where the relevant Final Terms indicate that such Global Note is to be drafted in new global note form and that the Notes represented by such Global Note are intended to be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem.

“**New Hedge Counterparties**“ means collectively, the NWEN Hedge Counterparties in respect of the NWEN Hedging Agreements, the Issuer Hedge Counterparties in respect of the Issuer Hedging Agreements and the ENW Group Hedge Counterparties in respect of the New ENW Group Hedging Agreements, each of which is individually a “**New Hedge Counterparty**“.

“**New Hedging Agreements**“ means collectively, the NWEN Programme Hedging Agreements, the Issuer Hedging Agreements and the ENW Group Hedging Agreements, each of which is individually a “**New Hedging Agreement**“.

“**Non-Base Currency**“ means a currency other than pounds Sterling.

“**Non-Group Entity**“ means any investment or entity (which is not itself a member of the NWEN Financing Group (including associates and Joint Ventures)) in which any member of the NWEN Financing Group has an ownership interest.

“**Non-trading ENW Subsidiary**“ means ENW (ESPS Pensions) Trustees Limited.

“**Nor.Web JV Company**“ means Nor.Web DPL Ltd., a company in which ENW holds a 50 per cent. shareholding.

“**Note Certificates**“ means the Global Note Certificates and the Individual Note Certificates and “**Note Certificate**“ means either a Global Note Certificate or an Individual Note Certificate, as the context may require.

“**Note Trustee Reserved Matters**“ means those matters set out in part B (Note Trustee Reserved Matters) of schedule 3 (*Reserved Matters*) to the STID.

“**Notice**“ or “**notice**“ means, in respect of a notice to be given to Noteholders, a notice validly given pursuant to Condition 17 (*Notices*).

“**NPV**“ means net present value.

“**NWEN/ENW Loan Agreement**“ means the £100,000,000 loan facility (such facility amount subject to being increased from time to time) entered into between NWEN as lender and ENW as borrower on 17 July 2009 pursuant to which NWEN proposes to advance loans to ENW from time to time.

“**NWEN Hedge Counterparties**“ means any counterparty to an NWEN Hedging Agreement who is or becomes a party to the STID in accordance with the STID and “**NWEN Hedge Counterparty**“ means any such counterparty.

“**NWEN Hedging Agreement**“ means any Treasury Transaction entered into by NWEN with an NWEN Hedge Counterparty after the Programme Date in accordance with the Hedging Policy, the counterparty to which has acceded to the terms of the STID and the Common Terms Agreement and (save as specified in the Hedging Policy) has agreed to be bound by the terms of paragraphs 16 and 17 of Schedule 7 (*Hedging Policy and Overriding Provisions Relating to NWEN Programme Hedging Agreements*) to the Common Terms Agreement), and references to “**NWEN Hedging Agreements**“ shall be construed accordingly.

“**NWEN Programme Hedge Counterparties**“ means any NWEN Hedge Counterparties and any Issuer Hedge Counterparties.

“**NWEN Programme Hedging Agreements**“ means any NWEN Hedging Agreements and any Issuer Hedging Agreements.

“**Operating Accounts**“ means each account of ENW or its Subsidiaries including any sub-account and any replacement account from time to time.

“**Operating Budget**“ means at any time the most recent annual consolidated operating budget prepared by NWEN on behalf of the NWEN Financing Group as further described in part 1 (*Information Covenants*) to schedule 4 (*Covenants*) to the Common Terms Agreement.

“**Outstanding**“ means, in relation to the Notes of all or any Sub-Class, all the Notes of such Sub-Class issued other than:

- (a) those Notes which have been redeemed pursuant to the Note Trust Deed;
- (b) those Notes in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest payable thereon) have been duly paid to the Note Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relative Noteholders in accordance with Condition 17 (*Notices*)) and remain available for payment against presentation of the relevant Notes and/or Receipts and/or Coupons;
- (c) those Notes which have been purchased and cancelled in accordance with Condition 8(f) (*Purchase of Notes*) and 8(h) (*Cancellation*);

- (d) those Notes which have become void or in respect of which claims have become prescribed, in each case under Condition 13 (*Prescription*);
- (e) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Notes, Coupons, Receipts and Talons*);
- (f) (for the purpose only of ascertaining the nominal amount of the Notes outstanding and without prejudice to the status for any other purpose of the relevant Notes) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Notes, Coupons, Receipts and Talons*); and
- (g) in the case of Bearer Notes, any Global Note to the extent that it shall have been exchanged for Definitive Notes or another Global Note and, in the case of Registered Notes, any Global Note Certificate to the extent that it shall have been exchanged for Individual Note Certificates, and, in each case, pursuant to its provisions, the provisions of the Note Trust Deed and the Agency Agreement,

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the holders of the Notes of any Sub-Class;
- (ii) the determination of how many and which Notes of any Sub-Class are for the time being outstanding for the purposes of Condition 15 (*Meetings of Noteholders, Modification, Waiver and Substitution*), and for the purposes of certain provisions relating to, *inter alia*, voting instructions and Noteholder meetings as set out in the STID and the Note Trust Deed;
- (iii) any discretion, power or authority (whether contained in the Note Trust Deed or vested by operation of law) which the Note Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the holders of the Notes of any Sub-Class; and
- (iv) the determination by the Note Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the holders of the Notes of any Sub-Class,

those Notes of the relevant Sub-Class (if any) which are for the time being held by or on behalf of the Issuer, the other Obligors, any Subsidiary of the Issuer or the other Obligors, or any Associate of the Issuer or the other Obligors (other than any Associate which is a licensed or regulated financial institution which holds Notes in the ordinary course of its business), in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain Outstanding.

“Outstanding Principal Amount“ means, as at any date that the same falls to be determined:

- (a) in respect of Wrapped Notes (unless an FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of such Wrapped Notes), the aggregate of any unpaid amounts owing to an Financial Guarantor under a G&R Deed to reimburse it for any amount paid by it under a Financial Guarantee in respect of unpaid principal on such Wrapped Notes and the Principal Amount Outstanding (or the Equivalent Amount) under such Wrapped Notes (including any premium);
- (b) in respect of Wrapped Notes (if an FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of such Wrapped Notes), the Principal Amount Outstanding (or the Equivalent Amount) of such Wrapped Notes (including any premium);
- (c) in respect of the Unwrapped Notes, the Principal Amount Outstanding (or the Equivalent Amount) of such Unwrapped Notes;

- (d) in respect of any other Unwrapped Debt, the principal amount outstanding (or the Equivalent Amount) of such Unwrapped Debt;
- (e) in respect of each NWEN Programme Hedging Agreement, the Equivalent Amount of the amount (if any) that would be payable to the relevant NWEN Programme Hedge Counterparty if an early termination date was designated on such date in respect of the transaction or transactions arising under the NWEN Programme Hedging Agreement pursuant to the ISDA Master Agreement governing such transaction or transactions and subject to the overriding provisions contained in the Common Terms Agreement and/or the STID; and
- (f) in respect of any other Secured Liabilities not covered elsewhere, the Equivalent Amount of the outstanding principal amount of such debt on such date in accordance with the relevant Finance Documents,

all as most recently certified or notified to the Security Trustee, pursuant to Clause 9.9 (*Notification of Outstanding Principal Amount of Qualifying Senior Debt*) of the STID.

“**Out-turn Inflation**“ means, in respect of any period for which the relevant indices have been published, the actual inflation rate applicable to such period determined by reference to movements in the Retail Price Index.

“**Overpayment**“ means any amount recovered from customers by ENW in respect of any financial year in excess of any limit prescribed by the Regulator.

“**Party**“ means, in relation to a Finance Document, a party to such Finance Document.

“**Payment Date**“ means 20 June and 20 December in each year, provided that if such date in any year is not a Business Day, the relevant Payment Date shall be the next following Business Day.

“**Payment Period**“ means the period from, and including, a Payment Date to, but excluding, the next following Payment Date.

“**Pensions Deficit Repair Amounts**“ means any amounts relating to (i) income (including, for the avoidance of doubt, Regulator-allowed revenues in respect of pensions contributions recoverable from customers) or (ii) charges, in each case attributable to past service costs and the repair of any deficit with respect to a post-employment benefit scheme.

“**Pensions Letter of Credit**“ means any letters of credit issued by banks at the request of ENW to satisfy the obligation under an agreement, dated 16 October 2007, between ENW and the trustee of the Permitted Existing Pension Schemes.

“**Perfection Requirements**“ means the making of appropriate registrations, filings or notifications on order to perfect any Security granted pursuant to any of the Finance Documents.

“**Periodic Review**“ means any review of electricity distribution price controls conducted by the Regulator from time to time.

“**Periodic Review Effective Date**“ means the date from which the new electricity distribution price controls determined by a Periodic Review shall take effect.

“**Permitted Acquisition**“ means:

- (a) an acquisition by a member of the NWEN Financing Group of an asset (or any replacement or upgrade thereof) sold, leased, transferred or otherwise disposed of by another member of the NWEN Financing Group in circumstances constituting a Permitted Disposal (including for the avoidance of doubt, in connection with a Permitted Outsourcing);

- (b) an acquisition by any member of the NWEN Financing Group of any Authorised Investments;
- (c) the incorporation of a limited liability company or the purchase of shares in an off the shelf limited liability company which becomes an Obligor by acceding to the Common Terms Agreement and the STID;
- (d) an investment by ENW or any of its Subsidiaries in a Permitted Joint Venture;
- (e) the acquisition by ENW or any of its Subsidiaries of (A) all of the issued share capital of a limited liability company or (B) (or if the acquisition is made by a limited liability company who has acceded to the Common Terms Agreement and the STID and whose sole purpose is to make the acquisition) a business or undertaking carried out as a going concern (in the case of (A) and (B) above, other than an acquisition of UUES or its business or undertaking), but only if:
 - (i) no Default is continuing on the signing of the sale and purchase agreement for the acquisition or would occur as a result of the acquisition;
 - (ii) the acquired company, business or undertaking is incorporated in England and Wales, Scotland or Northern Ireland and is engaged in business substantially the same as the Appointed Business; and
 - (iii) the consideration (including associated costs and expenses) for the acquisition and any Financial Indebtedness or assumed actual or contingent liability in each case remaining in the acquired company (or any such business) at the date of acquisition (when aggregated with the consideration (including associated costs and expenses) for any other Permitted Acquisition under this paragraph (iii) and any Financial Indebtedness or other assumed actual or contingent liability in each case remaining in any such acquired companies or businesses at the time of acquisition (the “**Total Purchase Price**“) together with the amount of any investment in any Joint Venture does not in any Financial Year of ENW exceed in aggregate £5,000,000 (indexed) or its equivalent in other currencies.

Prior to making any Permitted Acquisition under this paragraph (e), ENW or its Subsidiary (as the case may be) must deliver to the Security Trustee not later than 15 Business Days before legally committing to make such acquisition a certificate signed by two of its directors to which must be attached a copy of the latest audited accounts (or if not available, management accounts) of the target company or business. Such certificate must give calculations showing in reasonable detail that ENW would have remained in compliance with its obligations under paragraph 2 (*Financial Covenants*) of Part 6 (*Financial Covenants*) of schedule 4 (*Covenants*) of the CTA if the covenant tests were recalculated for the Relevant Period ending on the most recent Covenant Calculation Date consolidating the financial statements of the target company (consolidated if it has Subsidiaries) or business with the financial statements of the NWEN Financing Group for such period on a pro forma basis and as if the consideration for the proposed acquisition had been paid at the start of that Relevant Period.

- (f) the acquisition by ENW or any Subsidiary of ENW (which has acceded to the Common Terms Agreement and the STID and whose sole purpose is to make the acquisition) of all of the issued share capital of UUES (and/or any other company which for the time being is the provider of services to ENW under any Permitted Outsourcing (each of UUES and/or such other company, as the case may be, being an “**ASA Contracting Company**“) to effect or facilitate the termination of the Permitted Outsourcing provided by the ASA Contracting Company and whether the acquisition is made directly through the acquisition of the issued share capital of the relevant ASA Contracting Company or indirectly through the acquisition of the issued share capital of any non-trading holding company of such ASA Contracting Company, but only if:

- (i) no Default is continuing at the time of the signing of the sale and purchase agreement for the acquisition, or would occur as a result of the acquisition;
- (ii) the acquired company or companies is or are incorporated in England and Wales, Scotland or Northern Ireland and substantially all of the ASA Contracting Company's business comprises the relevant Permitted Outsourcing;
- (iii) there is delivered to the Security Trustee at the time of the proposed acquisition of the ASA Contracting Company, a certificate of ENW signed by two directors of ENW (A) certifying that since its incorporation, the ASA Contracting Company has not incurred material liabilities (against which ENW is not fully indemnified by the seller of the ASA Contracting Company) other than those integral to the performance of its obligations under the relevant Permitted Outsourcing; (B) certifying that as a result of completing the proposed acquisition of the ASA Contracting Company, no Default will arise immediately following such completion in consequence of ENW (or any Subsidiary of ENW, as the case may be) completing the proposed acquisition; (C) certifying that such directors reasonably believe that each of ENW and each other member of the NWEN Financing Group will, following the completion of the proposed acquisition of the relevant ASA Contracting Company be able to comply with its obligations under the Finance Documents and (D) certifying that the directors of ENW believe that the proposed acquisition of the ASA Contracting Company will be of material benefit to ENW;
- (iv) there is delivered to the Security Trustee no later than 30 days after the end of the financial period of ENW (being a period of not less than four nor more than six weeks, subject to adjustment so as to end on 30 September or 31 March to the extent that either of those dates would fall within any such financial period, the "**Relevant Period**") during which the proposed acquisition is completed, a certificate of ENW dated the date of signature but expressed to be given as of the end of the Relevant Period, signed by two Directors of ENW and in the form of a Compliance Certificate:
 - (a) prepared as if the end of the financial year of ENW had been the end of the Relevant Period; but
 - (b) on the basis of the management accounts of ENW (made up to the end of the Relevant Period) into which have been consolidated the financial results of the acquired ASA Contracting Company based on its management accounts (after bona fide adjustment by ENW to exclude those costs of the acquired ASA Contracting Company which would not have been incurred had the acquired ASA Contracting Company been a subsidiary of ENW throughout the period for which the consolidation is undertaken); and
 - (c) confirming that each ratio, as so calculated, does not breach the Trigger Event Ratio Levels (with any such breach, or inability to make any of the confirmations specified in the form of Compliance Certificate, constituting a Trigger Event as at the date of such certificate).
- (v) there is delivered to the Security Trustee at the time of the proposed acquisition of the relevant ASA Contracting Company both (a) a copy of a tax deed executed by both ENW and the seller of the ASA Contracting Company, and (b) a tax opinion of an internationally recognised law firm in respect of such tax deed, in each case in form and substance satisfactory to the Security Trustee (acting solely in reliance on such legal opinion and on the advice of its own legal and/or tax counsel at the Issuer's or NWEN's expense) which tax deed includes, amongst other things, protections in favour of ENW against pre-completion tax liabilities and protections against secondary tax liabilities, and which tax opinion demonstrates to the satisfaction of the Security

Trustee and its legal and/or tax counsel that, *inter alia*, by joining the NWEN Financing Group, the ASA Contracting Company will not expose the NWEN Financing Group to any material secondary tax liabilities other than those for which ENW and the ASA Contracting Company have the benefit of an indemnity in the tax deed referred to in this paragraph, or other appropriate protection in the reasonable opinion of the Security Trustee acting on such advice and/or instructions, as it considers appropriate (and for the purposes of this sub-clause (v)) only, a secondary tax liability will be material if the cost to the NWEN Financing Group would exceed 0.1 per cent of RAV); and

- (vi) the ASA Contracting Company accedes to the Tax Deed of Covenant;
- (g) an acquisition of the assets of UUES and/or any other relevant ASA Contracting Company in connection with the termination of the Asset Services Agreement (or any successor or replacement agreement in respect thereof);
- (h) an acquisition by any member of the NWEN Financing Group of any share capital of another member of the NWEN Financing Group as part of a Permitted Share Capital Transaction;
- (i) any acquisition arising pursuant to a Tax Deed Transaction.

“Permitted Business” means (1) in the case of ENW, the Appointed Business and any Permitted Non-Appointed Business; and (2) in the case of each other member of the NWEN Financing Group, (a) the business undertaken by it as at the Signing Date, and thereafter, (b) any business permitted under the terms of the Finance Documents and any Tax Deed Transaction and (c) any other new business undertaken after the Signing Date by a member of the NWEN Financing Group with the approval of the Security Trustee, acting reasonably at its sole discretion or at the direction of the Majority Creditors.

“Permitted Disposal” means any sale, lease, licence, transfer or other disposal which:

- (a) subject (in the case of ENW and its Subsidiaries) to compliance with paragraph (c) below (including, for the avoidance of doubt, the proviso thereto), is made in the ordinary course of business of the disposing entity or in connection with an arm’s length transaction entered into for bona fide commercial purposes for the benefit of the Permitted Business;
- (b) is of assets in exchange for other assets comparable or superior as to type, value and quality;
- (c) in the case of ENW and its Subsidiaries only, would not result in the Net Debt to RAV for each Relevant Period calculated by reference to the most recently occurring Covenant Calculation Date (adjusted on a pro forma basis to take into account the proposed disposal and any prepayment to be made out of all or part of the proceeds of such Permitted Disposal), being more than the relevant Trigger Event Ratio Levels, provided that (unless permitted by any other paragraph of this definition) ENW shall not make any disposals in relation to its distribution business other than a Minor Disposal;
- (d) in the case of ENW and its Subsidiaries only, is a disposal for cash on arm’s length terms of any surplus or obsolete or worn out assets which, in the reasonable opinion of ENW or its Subsidiary (as the case may be), are not required for the efficient operation of its Permitted Business and which does not cause a breach of any of the Trigger Event Ratio Levels;
- (e) in the case of ENW and its Subsidiaries only, is a disposal made in connection with or to give effect to any Permitted Outsourcing (including, without limitation, the disposal of the shares in or assets of UUES or any other ASA Contracting Company at any time after their acquisition pursuant to a Permitted Acquisition);
- (f) is a disposal or surrender of tax losses which is permitted pursuant to the Finance Documents;

- (g) in the case of ENW and its Subsidiaries only, is a disposal made on arms' length terms of assets forming part of any business which is not Permitted Business;
- (h) is a disposal of assets to another member of the NWEN Financing Group;
- (i) in the case of ENW and its Subsidiaries only, is of equipment pursuant to any finance leases;
- (j) is required by law or regulation or pursuant to an Existing Disposal Commitment;
- (k) in the case of ENW and its Subsidiaries only, is a licence in respect of Intellectual Property Rights;
- (l) in the case of ENW and its Subsidiaries only, is to a Permitted Joint Venture;
- (m) is a disposal of Authorised Investments for cash or for other Authorised Investments;
- (n) in the case of ENW and its Subsidiaries only, is a disposal in the ordinary course of its business of real estate used or formerly used for retail purposes at market value whether or not involving payment of consideration to third parties for them to assume the related leasehold obligations;
- (o) in the case of ENW and its Subsidiaries only, is a disposal of obsolete interests in land formerly used for operational purposes in the ordinary course of its business for nil consideration;
- (p) in the case of ENW and its Subsidiaries only, is a disposal of obsolete assets where the cost of recovery would exceed their scrap value, by abandoning them in the ground;
- (q) in the case of ENW and its Subsidiaries only, is a disposal of scrap for cash consideration where there is a willing third party buyer or for nil consideration where there is not; or
- (r) is a disposal of shares in NWEN on the Programme Date in accordance with the Share Exchange Agreement.

“Permitted Emergency Action“ means any remedial action taken by ENW during an Emergency, which is in accordance with the policies, standards and procedures to the emergency planning manual of ENW (as amended from time to time) Ofgem guidance notes and Public Procurement Rules and which ENW considers necessary and which continues only so long as is required to remedy the Emergency but in any event not longer than 28 days or such longer period as agreed by ENW and the Security Trustee.

“Permitted Existing Non-Appointed Business“ means any business other than the Appointed Business which is carried on by ENW as at the Signing Date and (a) which falls within the Permitted Non-Appointed Business Limits applicable to Permitted Existing Non-Appointed Business, (b) in respect of which all material risks related thereto are insured in accordance with the provisions relating to insurance contained in the Common Terms Agreement, and (c) which does not give rise to any material actual or contingent liabilities for ENW that are not properly provided for in its financial statements.

“Permitted Existing Pension Schemes“ means:

- (a) the ENW Group of the Electricity Supply Pension Scheme (“**ESPS**“) established when NWEN acquired ENW in December 2007 which incorporates:
 - (i) a section for the defined benefit members of the former ESPS who are:
 - (a) currently employed by ENW, or retired and entitled to a pension in payment; or
 - (b) no longer employed by ENW but have a right to a pension payable from a future date; or
 - (c) persons who were employees of a Statutory Predecessor; or

- (d) persons not employed by ENW and who have not been employed by UU or any other person in the business of distributing electricity in the North West of England or providing electricity metering and connection services in that area but who were transferred to the ENW ESPS following the acquisition of ENW by NWEN;
 - (ii) a section for the defined benefit members of the former ESPS who are now, or have since March 2007 at any time been employed by UUES, some of whom may in the future be employed by ENW or by a contractor under a Permitted Outsourcing; and
 - (iii) a section for the defined benefit members of the United Utilities Pension Scheme (“UUPS”) who were employed by ENW or by UUES at the time of the acquisition of ENW by NWEN in December 2007 and who then transferred from the UUPS to become members of the ENW Group of the ESPS; or
- (b) any defined contribution pension scheme maintained for the benefit of employees of any member of the NWEN Financing Group or of persons employed by UUES or any contractor under a Permitted Outsourcing.

“**Permitted Financial Indebtedness**“ means any Financial Indebtedness of ENW and its Subsidiaries existing as at the Programme Date and any Existing ENW Group Hedging Agreements, and:

the following Financial Indebtedness which **is** subject to the Additional Indebtedness Test:

- (a) in the case of the Issuer, further debt under the issue of one or more Series of Notes provided that the Financial Guarantors in respect of any series of Wrapped Notes have acceded to the Common Terms Agreement and the STID;
- (b) in the case of NWEN, further debt under (i) any Authorised Credit Facilities (provided that the Authorised Credit Facility Providers in respect thereof have acceded to the Common Terms Agreement and the STID), (ii) each Issuer/NWEN Loan Agreement to the extent of the issue by the Issuer of one or more Series of Notes and (iii) the ENW Issuer/NWEN Loan Agreement; or
- (c) in the case of ENW and any of its Subsidiaries, any Financial Indebtedness which (A) is incurred pursuant to or in connection with the ENW Note Programme or (B) is otherwise incurred by ENW in the ordinary course of its business, including, for the avoidance of doubt any Financial Indebtedness incurred pursuant to:
 - (i) any capital expenditure or working capital facility;
 - (ii) any Existing ENW Facilities; and
 - (iii) any hedging agreement entered into in connection with the ENW Note Programme and which is subject to the terms of the Hedging Policy;

the following Financial Indebtedness which **is not** subject to the Additional Indebtedness Test;

- (d) in the case of NWEN, further debt under any DSR Liquidity Facility; and
- (e) In the case of any member of the NWEN Financing Group;
 - (i) Financial Indebtedness incurred under a Treasury Transaction that such Treasury Transaction is entered into in compliance with paragraph 19 (*Treasury Transactions*) of part 3 (*Obligors’ General Covenants*) of schedule 4 (*Covenants*) to the Common Terms Agreement;
 - (ii) any Financial Indebtedness owed to any other Obligor;

- (iii) any Subordinated Debt;
 - (iv) Financial Indebtedness to the extent covered by a Pensions Letter of Credit; and
 - (v) such other Financial Indebtedness incurred by any member of the NWEN Financing Group with the consent of the Security Trustee;
- (f) in the case of ENW only,
- (i) any Bankers Automated Clearing System (BACS) or other similar or equivalent payment mechanism indebtedness owed to any bank of which it is a customer and which provides payment clearing services to it;
 - (ii) the amount of any liability under an advance or deferred purchase agreement unless either (i) one of the primary reasons behind entering into the agreement is to raise finance; or (ii) the relevant payment is advanced or deferred for a period in excess of 90 days;
 - (iii) Financial Indebtedness constituting refundable customer contributions in the form of payments from developers to ENW in the ordinary course of business in respect of capital upgrades to the network carried out by such developers which ENW is required to refund to such developers in the event that the developers meet the load targets specified for such upgrades to the network; and
 - (iv) Financial Indebtedness consisting of refundable customer deposits in the form of payments from electricity suppliers to ENW in the ordinary course of business in respect of ensuring sufficient credit cover is in place to meet the industry arrangements for the time being in force, as currently exemplified by the Distribution Connection and Use of System Agreement;

“Permitted Hedge Termination” means the termination of an NWEN Programme Hedging Agreement in accordance with the NWEN Programme Hedging Agreement subject always to the Hedging Policy.

“Permitted Investment” means:

- (a) in respect of ENW or any of its Subsidiaries, any investment or expenditure (including any Capital Expenditure) which is in respect of a Permitted Business, does not contravene the Licence and is made on arm’s length terms entered into for bona fide commercial purposes and is consistent with ENW’s statutory and regulatory obligations; or
- (b) in respect of ENW and each of its Subsidiaries, any investment or expenditure as in the reasonable opinion of the applicable company is required for the regular repair and maintenance of its existing assets, or to replace obsolete, worn out, damaged or destroyed assets including the upgrade or replacement of IT and communications systems which in the reasonable opinion of the applicable company is required for the efficient operation of its Permitted Business or in accordance with any finance leases; or
- (c) in respect of any Obligor, any investment, expenditure or acquisition as may be approved by the Majority Creditors (which may include, subject to such approval, any equity investment by any Obligor in any of its Subsidiaries by way of a subscription for shares).

“Permitted Joint Venture” means any investment in any Joint Venture:

- (a) within the NWEN Financing Group as at the Signing Date;

- (b) which is:
- (i) incorporated or established, and carries on its principal business, in the European Union or the United States of America;
 - (ii) engaged in a business substantially the same as a Permitted Business; and
 - (iii) in any Financial Year of ENW, the aggregate (the “**Joint Venture Investment**“) of:
 - (a) all amounts subscribed for shares in, lent to, or invested in all such Joint Ventures by ENW or any of its Subsidiaries;
 - (b) the contingent liabilities of ENW or its Subsidiary (as the case may be) under any guarantee given in respect of the liabilities of any such Joint Venture; and
 - (c) the market value of any assets transferred by ENW or its Subsidiary (as the case may be) to any such Joint Venture,

when aggregated with the Total Purchase Price in respect of Permitted Acquisitions in that Financial Year permitted pursuant to paragraph (e) of the definition of “Permitted Acquisition” does not exceed £5,000,000 (or its equivalent in other currencies).

“**Permitted New Non-Appointed Business**“ means any business other than the Appointed Business and Permitted Existing Non-Appointed Business provided that (a) such business: (i) is prudent in the context of the overall business of ENW and continues to be prudent for the duration of that Permitted New Non-Appointed Business; and (ii) is not reasonably likely to be objected to by the Regulator; and (iii) falls within the Permitted Non-Appointed Business Limits applicable to Permitted Non-Appointed Business; (b) all material risks related thereto are insured in accordance with Good Industry Practice; and (c) such business does not give rise to any material actual or contingent liabilities for ENW that are not or would not be properly provided for in its financial statements.

“**Permitted Non-Appointed Business**“ means Permitted Existing Non-Appointed Business and Permitted New Non-Appointed Business.

“**Permitted Non-Appointed Business Income**“ means income received by ENW pursuant to its Permitted Non-Appointed Business.

“**Permitted Non-Appointed Business Limits**“ in respect of Permitted Non-Appointed Business, means that Permitted Non-Appointed Business Income during the current Relevant Period and, if applicable, the immediately two preceding Relevant Periods does not exceed 2.5 per cent. of ENW’s aggregate income during such Relevant Periods.

“**Permitted Outsourcing**“ means:

- (a) the Asset Services Agreement and any successor agreement to it;
- (b) any other outsourcing agreement or series of such agreements providing for the outsourcing of the whole or any part or parts of the services which are the subject of the Asset Services Agreement; and
- (c) any outsourcing agreement relating to IT or any other support service required for the conduct of the Appointed Business or any Permitted Non-Appointed Business,

and, in each case, any action or transaction (including, without limitation, the disposal of any one or more subsidiaries of ENW) entered into by any member of the NWEN Financing Group in connection with, in contemplation of or ancillary thereto.

“Permitted Post-Closing Events“ means:

- (a) payment of transaction fees and expenses, to the extent not paid on the Programme Date; or
- (b) any other payments listed in writing by ENW as at the Programme Date and signed by way of approval by the Security Trustee.

“Permitted Security Interest“ means:

- (a) a Security Interest created under the Security Documents or contemplated by the Finance Documents;
- (b) any Security Interest specified in the cash management provisions of the Common Terms Agreement, if the principal amount thereby secured is not increased;
- (c) a Security Interest comprising a netting or set off arrangement entered into by a member of the NWEN Financing Group in the ordinary course of its banking arrangements;
- (d) a right of set off, banker’s liens or the like arising by operation of law or by contract by virtue of the provision of any overdraft facility and like arrangements arising as a consequence of entering into arrangements on the standard terms of any bank providing an overdraft;
- (e) any Security Interest arising under statute or by operation of law in favour of any government, state or local authority in respect of taxes, assessments or government charges which are being contested by the relevant member of the NWEN Financing Group in good faith and with a reasonable prospect of success;
- (f) any Security Interest created in respect of any pre-judgment legal process or any judgment or judicial award relating to security for costs, where the relevant proceedings are being contested in good faith by the relevant member of the NWEN Financing Group by appropriate procedures and with a reasonable prospect of success;
- (g) any Security Interest comprising a netting or set-off arrangement entered into under any Hedging Agreement entered into in accordance with the Hedging Policy where the obligations of other parties thereunder are calculated by reference to net exposure thereunder (but not any netting or set-off relating to such NWEN Financing Group Hedging Agreement in respect of cash collateral or any other Security Interest except as otherwise permitted hereunder);
- (h) a lien arising under statute or by operation of law (or by agreement having substantially the same effect) in the ordinary course of business provided that such lien is discharged within 30 days of any member of the NWEN Financing Group becoming aware that the amount owing in respect of such lien has become due;
- (i) a lien in favour of any bank over goods and documents of title to goods arising in the ordinary course of documentary credit transactions entered into in the ordinary course of trade;
- (j) a Security Interest created over shares and/or other securities acquired in accordance with the Common Terms Agreement held in any clearing system or listed on any exchange which arise as a result of such shares and/or securities being so held in such clearing system or listed on such exchange as a result of the rules and regulations of such clearing system or exchange;
- (k) a Security Interest approved by the Security Trustee, the holder of which has become a party to the STID;
- (l) a Security Interest over or affecting any asset acquired on arm’s length terms after the date hereof and subject to which such asset is acquired, if:

- (i) such Security Interest was not created in contemplation of the acquisition of such asset;
 - (ii) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by a member of the NWEN Financing Group; and
 - (iii) (A) such Security Interest is removed or discharged within six months of the date of acquisition of such asset; or (B) the holder thereof becomes party to the STID;
- (m) a Security Interest arising in the ordinary course of business and securing amounts not more than 90 days overdue or if more than 90 days overdue, the original deferral was not intended to exceed 90 days and such amounts are being contested in good faith;
 - (n) a Security Interest arising under or contemplated by any finance leases, hire purchase agreements, conditional sale agreements or other agreements for the acquisition of assets on deferred purchase terms provided that such agreements are in respect of assets acquired in the ordinary course of business and for an aggregate amount not exceeding 0.5 per cent. of RAV;
 - (o) a right of set off existing in the ordinary course of trading activities between ENW and its suppliers or customers;
 - (p) a Security Interest arising on rental deposits in connection with the occupation of leasehold premises in the ordinary course of business;
 - (q) any retention of title arrangements entered into by ENW in the ordinary course of business;
 - (r) in addition to any Security Interests subsisting pursuant to the above, any other Security Interests provided that the aggregate principal amount secured by such other Security Interests does not at any time exceed an amount equal to £2,000,000 (indexed);
 - (s) any netting/set-off arrangements in the ordinary course of banking arrangements for netting debit and credit balances of ENW and its Subsidiaries; or
 - (t) any performance bonds entered into on an arm's length basis for the purpose of guaranteeing obligations in the ordinary course of business provided that the amount of indebtedness in respect of such performance bonds does not in aggregate exceed 0.2 per cent. of RAV.

“**Permitted Share Capital Transaction**” has the meaning given to it in paragraph 35 (Share Capital) of part 3 (Obligors’ General Covenants) of schedule 4 (Covenants) of the CTA.

“**Permitted Subsidiary**” means the Subsidiaries of the Obligors as at the Signing Date and any other direct or indirect Subsidiary of NWEN from time to time which is acquired by NWEN or by any of its Subsidiaries pursuant to a Permitted Acquisition and is notified in writing to the Security Trustee on or as soon as practicable after the date of such Permitted Acquisition.

“**Potential Event of Default**” means any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination (in each case where the lapse of time and/or giving of notice and/or determination is provided for in the terms of such Event of Default, and assuming no intervening remedy), would constitute an Event of Default.

“**Potential Trigger Event**” means any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination (in each case where the lapse of time and/or giving of notice and/or determination is provided for in the terms of such Trigger Event, and assuming no intervening remedy or waiver), would become a Trigger Event.

“Principal Amount Outstanding” means, in relation to a Note, Sub-Class or Class, the original face value thereof (in relation to any Index-Linked Notes, as adjusted in accordance with the Conditions) less any repayment of principal made to the Holder(s) thereof in respect of such Note, Sub-Class or Class.

“Public Procurement Rules” mean the public procurement rules of the United Kingdom affecting the electricity distribution sector and including any jurisprudence of the courts of the United Kingdom and of the European Communities and decision of the European Commission in respect of such rules.

“Qualifying Senior Debt” means the aggregate Outstanding Principal Amount of Senior Debt entitled to be voted by the Senior DIG Representatives.

“Qualifying Senior Debt Provider” means a provider of Qualifying Senior Debt.

“Rating Agencies” means those internationally recognised rating agencies as are from time to time providing ratings for the Notes issued by the Issuer and which shall comprise at least two such rating agencies at any time.

“Rating Requirement” means confirmation from any two Rating Agencies or, where expressly stated, all Rating Agencies then rating the Notes that, in respect of any matter where such confirmation is required, the resulting rating of the Unwrapped Notes (and/or Shadow Rating of the Wrapped Notes, as the case may be) will be BBB by S&P and BBB by Fitch (or equivalent rating by any other Rating Agency then rating any Notes) or above.

“RAV” means, in respect of ENW in relation to any date, the aggregate of:

- (a) the regulatory asset value for such date as last determined and notified to ENW by the Regulator at the most recent Periodic Review or such interim determination or other procedure through which the Regulator may make such determination of regulatory asset value on an equally definitive basis to that of a Periodic Review or interim determination; and
- (b) such other sum so determined and notified which the Regulator has determined may not be wholly recovered from customers within the regulatory period to which the determination relates and which may only be so recovered over a period of time extending beyond the end of that regulatory period,

in each case, adjusted for Out-turn Inflation and, where necessary, by interpolation.

“Regulation S” has the meaning given to such term in the Securities Act.

“Regulator” means the Gas and Electricity Markets Authority (**“GEMA”**), operating through the Office of Gas and Electricity Markets (**“Ofgem”**) and any successors thereto.

“Regulatory Accounts” has the meaning given to it in the Licence.

“Regulatory Depreciation” means, in relation to any period for which it is being calculated, the amount equal to the depreciation value used to calculate movements in the RAV as determined by Ofgem at the most recent Periodic Review or such interim determination or other procedure through which Ofgem may make such determination of regulatory asset value on an equally definitive basis to that of an Electricity Distribution Price Control Review or interim determination (pro-rated as necessary and adjusted as necessary for Out-turn Inflation).

“Regulatory Financial Statements” means the individual financial statements of ENW, prepared in the form required by the “accounts condition” to the Licence.

“Regulatory Period” means the period in respect of which a set of price control conditions are fixed by (currently) the Regulator (currently a five year period).

“**Relevant Legislation**“ means the Electricity Act, the Utilities Act 2000, the Enterprise Act and the Energy Act and any other laws and regulations relating to the business of distributing electricity in England (in each case, as such legislation is amended, supplemented or replaced from time to time).

“**Relevant Period**“ means:

- (a) the period of 12 Months ending on a Covenant Calculation Date; or
- (b) the period of 12 Months starting on the first day after a Covenant Calculation Date.

“**Remedial Plan**“ means any remedial plan agreed by NWEN and the Security Trustee under part 2 (*Trigger Event Consequences*) of schedule 5 (*Trigger Events*) to the Common Terms Agreement.

“**Reorganisation Plan**“ means the corporate reorganisation to be completed on or prior to the Programme Date, as described in a steps paper prepared by ENW dated 14 April 2009.

“**Required Balance**“ means, on any day, the aggregate of the next 18 months’ interest and other finance charges forecast to be due on the Senior Debt (after taking into account the impact on interest rates of such Senior Debt of any Hedging Agreement then in place) as calculated by NWEN (with the approval of the Security Trustee) and notified to the Cash Manager.

“**Reserved Matters**“ means the rights of the Secured Creditors provided by the terms of clause 8.7 (*Reserved Matters of Secured Creditors and/or Secured Creditor Representatives*) of the STID and the Security Trustee Reserved Matters, the Note Trustee Reserved Matters, the Financial Guarantor Reserved Matters and the NWEN Programme Hedge Counterparty Reserved Matters provided by the terms of clause 8.8 (*Reserved Matters of Security Trustee, Note Trustee, Financial Guarantors, and NWEN Programme Hedge Counterparties*) and schedule 3 (*Reserved Matters*) to the STID.

“**Restricted Payments**“ means in respect of a member of the NWEN Financing Group any payment (including any payments of distributions, dividends, bonus issues, return of capital, fees, interest, principal or other amounts whatsoever) (by way of loan or repayment of any loan or otherwise including, without limitation, any payment for group relief governed by the Tax Deed of Covenant and any payment under any Subordinated Debt) (in cash or in kind) to any direct or indirect Affiliate of such company, other than (i) payments pursuant to and in accordance with any contracts entered into with any other person in the ordinary course of business in compliance with the Finance Documents and (ii) in respect of ENW, payments of Intra-Group Debt Service Distributions and (iii) any payments by ENW for group relief surrendered to ENW provided that, if the Restricted Payment Conditions are not satisfied at such time, the amount of such group relief payment is left outstanding as a debt until such time as the Restricted Payment Conditions are satisfied (and accordingly that such amount shall not actually be paid out of ENW prior to such time), and (iv) payments between ENW and the ENW Issuer which are due under the ENW Note Programme and any payments which are due under any Issuer/NWEN Loan Agreement, any Issuer/NWEN B2B Hedging Agreement and under the ENW Issuer/NWEN Loan Agreement.

“**Retail Price Index**“ or “**RPI**“ means the Retail Price Index (all items) as published from time to time in the monthly digest of statistics published by the United Kingdom Office of National Statistics or if such index ceases to exist, such other index or indexation procedure as the Note Trustee may reasonably direct.

“**Rights**“ means all rights vested in the Security Trustee by virtue of, or pursuant to, its holding the interests conferred on it by the Security Documents or under the Ancillary Documents and all rights to make demands, bring proceedings or take any other action in respect of such rights.

“**Secretary of State**“ means in each case the relevant one of Her Majesty’s principal Secretaries of State empowered to carry out the specific action referred to.

“Secured Creditor” means the Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Note Trustee (in its own capacity and on behalf of the Noteholders), the Noteholders, each Financial Guarantor, the NWEN Programme Hedge Counterparties, each Capex Facility Provider, the Capex Facility Agent, the Issuer, each Account Bank, the DSR Liquidity Facility Agents, each DSR Liquidity Facility Provider and each other Authorised Credit Facility Provider, the Cash Manager (other than when the Cash Manager is ENW), the Standstill Cash Manager, each Agent, and any Additional Secured Creditors, provided, in each case, that such person has acceded to the STID in accordance with the provisions thereof.

“Secured Creditor Representative” means:

- (a) in respect of the Noteholders, the Note Trustee;
- (b) in respect of the Capex Facility Providers, the Capex Facility Agent;
- (c) in respect of each Issuer/NWEN Loan Agreement, the Security Trustee (on behalf of the Issuer);
- (d) in respect of any DSR Liquidity Facility Provider, the facility agent under the relevant DSR Liquidity Facility Agreement (or if there is no facility agent in respect of a DSR Liquidity Facility Agreement, the relevant DSR Liquidity Facility Provider);
- (e) in respect of each of the NWEN Programme Hedging Agreements, the relevant NWEN Programme Hedge Counterparty; and
- (f) in respect of any Additional Secured Creditor, the representative of such Additional Secured Creditor (if any) appointed as its Secured Creditor Representative under the terms of the relevant Finance Document and named as such in the relevant Accession Memorandum.

“Secured Liabilities” means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly and severally or in any other capacity whatsoever) of each Obligor under each Finance Document to which it is a party.

“Security Assets” means all property, assets, rights and undertakings the subject of the Security created by the Obligors pursuant to any Security Document, together with the Rights.

“Security Interest” means:

- (a) any mortgage, pledge, lien, charge, assignment or hypothecation or other encumbrance securing any obligation of any person;
- (b) any performance bond or other similar instrument in respect of another person’s obligation;
- (c) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- (d) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

“Senior Debt” means any financial accommodation that is for the purposes of the STID to be treated as Senior Debt and includes (without limitation):

- (a) as at the Programme Date, all debt outstanding under:
 - (i) the Capex Facility;
 - (ii) any Notes issued under the Programme on or around the Programme Date; and

- (b) thereafter, all debt outstanding under paragraph (a) above in addition to all debt outstanding from time to time under:
- (i) any further Notes issued under the Programme;
 - (ii) each NWEN Programme Hedging Agreement;
 - (iii) each other Authorised Credit Facility;
 - (iv) each Financial Guarantee Fee Letter; and
 - (v) each G&R Deed in respect of any Wrapped Notes.

“**Senior Debt Provider**“ means a provider of, or Financial Guarantor of, Senior Debt.

“**Senior DIG Directions Request**“ has the meaning given to such term in clause 9.6.2 (*Senior DIG Directions Request*) of the STID.

“**Senior DIG Proposal**“ has the meaning given to such term in clause 9.6.1 (*Senior DIG Directions Request*) of the STID.

“**Settlement and Acknowledgement Deed**” means the settlement and acknowledgement deed dated on or about the Signing Date between, among others, the Security Trustee, the Issuer, ENW and NWEN;

“**Shadow Rating**“ means the underlying rating for the time being assigned to the Wrapped Notes of the Issuer without taking account of the benefit of the Financial Guarantee.

“**Share Exchange Agreement**” means the agreement relating to the transfer of shares in NWEN by Senior HoldCo to SPV HoldCo on the Programme Date;

“**ShareholderCo**“ means North West Electricity Networks (UK) Limited.

“**Signing Date**” means 17 July 2009.

“**Statutory Accounts**“ means each set of financial statements prepared from time to time by each member of the NWEN Financing Group pursuant to applicable law and regulations and in compliance with Applicable Accounting Principles.

“**Statutory Predecessor**“ means the North Western Electricity Board (established in 1948 by the Electricity Act 1947) or any predecessor body thereof whose assets and liabilities were transferred by statute or by virtue of the exercise of statutory powers to the North Western Electricity Board.

“**STID Directions Request**“ has the meaning given to such term in clause 9.3 (*Notice to Secured Creditors of STID Proposal*) of the STID;

“**STID Matters**“ means a STID Proposal, a STID Directions Request, a Deemed Approval, a Senior DIG Proposal, a Senior DIG Directions Request and an Emergency Instruction Notice.

“**STID Proposal**“ has the meaning given to such term in clause 9.1 (*Instigation of STID Proposal*) of the STID.

“**Stock Exchange**“ means the London Stock Exchange or any other or further stock exchange(s) on which any Notes may from time to time be listed, and references in these presents (as defined in this Prospectus) to the “**relevant Stock Exchange**“ shall, in relation to any Notes, be references to the Stock Exchange on which such Notes are, from time to time, or are intended to be, listed.

“Structural Intragroup Loans“ means:

- (a) the loan outstanding between Senior HoldCo (as lender) and NWEN (as borrower) pursuant to a £327,000,000 loan agreement dated 18 December 2007;
- (b) the loan outstanding between Senior HoldCo (as lender) and NWEN (as borrower) pursuant to a £121,000,000 loan agreement dated 19 December 2007 as amended and restated on or about the date of this Agreement;
- (c) the loan outstanding between Senior HoldCo (as lender) and NWEN (as borrower) pursuant to a £200,000,000 loan agreement dated 18 December 2007;

each as amended and restated from time to time; and

- (d) any further intra-group loans made (or to be made from time to time), or any further advances in respect of the intra-group loan agreements specified in items (a) to (c) (inclusive) above, in respect of which:
 - (i) the lender is either Senior HoldCo, Junior HoldCo, ShareholderCo or NWEN (Jersey) or any Subsidiary of Senior HoldCo, Junior HoldCo, ShareholderCo or NWEN (Jersey) (other than a member of the NWEN Financing Group);
 - (ii) the borrower is a member of the NWEN Financing Group; and
 - (iii) the lender has acceded to the terms of the CTA and the STID.

“Sub-Investment Grade“ means a rating of less than BBB- by S&P or less than BBB- by Fitch or equivalent rating from any other Rating Agency.

“Subordinated Authorised Loan Amounts“ means, in relation to any Authorised Credit Facility, the aggregate of any amounts payable by the Issuer or NWEN to the relevant Authorised Credit Facility Provider (i) on an accelerated basis as a result of illegality (excluding accrued interest, principal and recurring fees and commissions) on the part of the Authorised Credit Facility Provider and (ii) any other amounts not referred to in any other paragraph of the Payment Priorities.

“Subordinated Coupon Amount“ means in respect of a Tranche of Notes, any amounts specified as such in the applicable Final Terms.

“Subordinated Creditor“ means each credit provider in respect of Subordinated Debt and/or any agent in respect of such Subordinated Debt where such credit provider or agent has acceded to the Common Terms Agreement and the STID.

“Subordinated Debt“ means each Structural Intragroup Loan and any other Financial Indebtedness that is fully subordinated, in a manner satisfactory to the Security Trustee, to the Senior Debt and where the relevant Subordinated Creditor has acceded to the Common Terms Agreement and the STID.

“Subordinated Liquidity Facility Amounts“ means, in relation to any DSR Liquidity Facility:

- (a) the amount by which the amount of interest accruing at the Mandatory Cost Rate at any time exceeds the Mandatory Cost Rate on the date of the relevant DSR Liquidity Facility Agreement; and
- (b) the aggregate of any amounts payable by NWEN to the relevant DSR Liquidity Facility Provider in respect of its obligation to gross-up any payments made by it in respect of such DSR Liquidity Facility or to make any payment of increased costs to such DSR Liquidity Facility Provider (other than any such increased costs in respect of regulatory changes relating to capital adequacy requirements applicable to such DSR Liquidity Facility Provider) or to amounts payable on an accelerated basis as a

result of illegality (excluding accrued interest, principal and commitment fees) on the part of such DSR Liquidity Facility Provider, or any other amounts not referred to in any other paragraph of the Payment Priorities.

“**Subsidiary**“ means a company in which another company:

- (a) holds a majority of the voting rights;
- (b) is a member and has the right to appoint or remove a majority of its board of directors,
- (c) is a member and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in it; or
- (d) a company which is a Subsidiary of a company which is itself a Subsidiary of that other company.

“**Swap Collateral Account**” means:

- (a) with respect to cash, a bank account of the Issuer or NWEN (as applicable) held with an Account Bank for the purpose of depositing cash collateral; and
- (b) with respect to securities, a custody account of the Issuer or NWEN (as applicable) held with an Account Bank for the purpose of holding securities posted as collateral,

in each case pursuant to an NWEN Programme Hedging Agreement.

“**Tax**“ means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest) and “**Taxes**“, “**taxation**“, “**taxable**“ and comparable expressions will be construed accordingly.

“**Tax Covenantors**“ means NWEN (Jersey), ShareholderCo, Senior HoldCo and Junior HoldCo in their capacities as covenantors pursuant to the Tax Deed of Covenant, and any other person who becomes a covenantor pursuant to the Tax Deed of Covenant.

“**Tax Deed of Covenant**“ means the deed of tax covenant to be entered into on or about the Signing Date by (among others) the relevant Obligors and the Security Trustee.

“**Tax Deed Transaction**“ means any arrangement to which a member of the NWEN Financing Group may become a party after the Signing Date, the effect of which is to generate amounts available to be surrendered by way of group relief to any NWEN Financing Group member and in respect of which the Tax Deed of Covenant and the Restricted Payment Conditions in the Common Terms Agreement govern the arrangements for payment for any such group relief;

“**Third Party Scheme Provider**“ means any institution (which is regulated in the United Kingdom for the provision of pension schemes) which enters into arrangements with ENW or any other member of the NWEN Financing Group by which such institution assumes (in whole or in part) the liabilities and obligations of ENW or such other member of the NWEN Financing Group under any then Permitted Existing Pension Scheme.

“**Total NWEN Financing Group Debt**“ means in aggregate, all Financial Indebtedness of each member of the NWEN Financing Group.

“**Transaction Accounts**“ means the accounts of each of the Issuer and SPV HoldCo entitled the “Issuer Transaction Account” and the “SPV HoldCo Transaction Account” held at the Initial Account Bank and in each case includes any sub-account relating to that account and any replacement account from time to time and “**Transaction Account**” means either of them as the context may require.

“**Transfer Scheme**“ means a scheme for the transfer of the Appointed Business of ENW.

“**Treasury Transaction**“ means any currency or interest rate purchase, cap or collar agreement, forward rate agreements, interest rate or currency future or option contract, foreign exchange or currency purchase or sales agreement, interest rate swap, currency swap, index-linked swap or combined interest rate and currency swap agreement and any other similar agreement or any derivative transaction.

“**Trigger Event**“ means any of the events or circumstances identified as such in Part 1 (*Trigger Events*) of Schedule 5 (*Trigger Events*) to the Common Terms Agreement.

“**Trigger Event Consequences**“ means the consequences resulting from the occurrence of a Trigger Event set out in part 2 (*Trigger Event Consequences*) of schedule 5 (*Trigger Events*) to the Common Terms Agreement.

“**Trigger Event Ratio Levels**“ means the financial ratios set out in paragraph 1 (*Financial Ratios*) of part 1 (*Trigger Events*) of schedule 5 (*Trigger Events*) to the Common Terms Agreement;

“**Trigger Event Remedies**“ means the remedies in connection with the Trigger Events specified in part 3 (*Trigger Event Remedies*) of schedule 5 (*Trigger Events*) to the Common Terms Agreement.

“**Ultimate Controller**“ means, with respect to ENW and as described in ENW’s Licence, any person who, alone or in conjunction with others, is in a position to exercise significant influence over the policy of ENW.

“**Unpaid Provisioned Amount**“ means on any Payment Date, any amounts which have been provisioned for on the previous Payment Date in accordance with the Payment Priorities but which have not yet been paid to the relevant recipient.

“**Unwrapped Debt**“ means any debt that is not guaranteed by a Financial Guarantor.

“**Unwrapped Noteholders**“ means the holders for the time being of the Unwrapped Notes and “**Unwrapped Noteholder**“ shall be construed accordingly.

“**U.S.**“ or “**United States**“ means the United States of America.

“**UUES**“ means United Utilities Electricity Services Limited.

“**VAT**“ means value added tax as imposed by the Value Added Tax Act 1994 and legislation supplemental thereof and other tax of a similar fiscal nature whether imposed in the United Kingdom (instead of, or in addition to, VAT) or elsewhere.

“**Voted Qualifying Senior Debt**“ means the aggregate Outstanding Principal Amount of Qualifying Senior Debt voted by the Senior DIG Representatives in accordance with the STID.

“**Wrapped Debt**“ means any debt that is guaranteed by a Financial Guarantor.

“**Wrapped Noteholders**“ means the holders for the time being of the Wrapped Notes and “**Wrapped Noteholder**“ shall be construed accordingly.

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REGISTERED OFFICE OF THE ISSUER

Dalton House
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