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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 Finance plc, Electricity North West 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 Finance plc

(a public limited company incorporated in England and Wales with registered number 06845434)

**£1,000,000,000 guaranteed note 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
guaranteed by
Electricity North West Limited**

(incorporated with limited liability in England and Wales with registered number 2366949)

Under this guaranteed note programme (the “**Programme**”), ENW Finance plc (the “**Issuer**”) may from time to time issue notes (the “**Notes**”) unconditionally and irrevocably guaranteed by Electricity North West Limited (the “**Guarantor**” and “**ENW**”) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £1,000,000,000 (or its equivalent in other currencies), subject to any increase as described herein.

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**”) 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 Issuer, the Guarantor and the relevant Dealers (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 the Guarantor, 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 3 “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 under the Programme will not exceed £1,000,000,000 (or its equivalent in other currencies calculated as described herein), 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 long term unsecured, unguaranteed and unsubordinated debt obligations of the Guarantor are, as at the date of this Prospectus: A- by Fitch Ratings Limited (“**Fitch**”), Baa1 by Moody’s Investors Service Inc. (“**Moody’s**”) and BBB+ by Standard & Poor’s Ratings Services (“**S&P**”) (and together with Fitch and Moody’s, the “**Rating Agencies**”). Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated (including any Tranche of Wrapped Notes), such rating will not necessarily be the same as the ratings specified above.

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

	Moody’s	S&P	Fitch
Unwrapped Notes.....	Baa1	BBB+	A-

As defined by Moody’s, a Baa1 rating means the Issuer’s obligations are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics. The modifier “1” indicates that the obligation ranks in the higher end of the generic rating category. As defined by S&P, a BBB+ rating means the Issuer’s obligations exhibits adequate protection parameters. However, 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. The “+” modifier shows relative standing within the BBB category. As delivered by Fitch, an A- rating denotes expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. The “-” modifier denotes relative status within the A category.

None of the Unwrapped Notes will benefit from a Financial Guarantee. 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 financial strength of the Relevant Financial Guarantor and the Shadow Ratings .

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.

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 depository on behalf of Euroclear and Clearstream, Luxembourg (the “**Common Depository**”). Each Sub-Class of Bearer Notes may be represented initially by a temporary Global Note, without interest coupons, which will be exchangeable for 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 9 “*Forms of the Notes*”.

Ratings ascribed to all of the Notes reflect only the views of Fitch, Moody’s and S&P. **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.**

Notes may be issued in such denominations as may be agreed between the Issuer and the Dealer and as specified in the relevant Final Terms save that: (i) in the case of any Notes which are to be 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 Directive 2003/71/EC (the “**Prospectus Directive**”), the minimum specified denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes) 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 Issuer and Guarantor may agree with any Dealer 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 Guarantor which, according to the particular nature of the Issuer, the Guarantor 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 and the Guarantor.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus (including the Appendices). To the best of the knowledge and belief of the Issuer and the Guarantor (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 and the Guarantor 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, the Guarantor, the Arranger, the Joint Lead Managers, any Dealer or the 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 the Guarantor 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, the Guarantor or any Dealer to subscribe, or purchase, any of the Notes.

None of the Arranger, the Joint Lead Managers, the Dealers, the Financial Guarantors or the Trustee 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 Joint Lead Manager, any Dealer, any Financial Guarantor or the Trustee 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 or the Guarantor. Each person receiving this Prospectus acknowledges that such person has not relied on the Arranger, any Joint Lead Manager, any Dealer, any Financial Guarantor or the

Trustee or 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 or the Guarantor 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 Guarantor as of any time subsequent to the date indicated in the document containing the same. None of the Arranger, the Joint Lead Managers, the Dealers, the Financial Guarantors or the Trustee expressly undertakes to review the financial condition or affairs of the Issuer or the Guarantor 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, the Guarantor, the Arranger, any Dealer, any Joint Lead Manager, any Financial Guarantor or the Trustee 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 Guarantor 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 13 “*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 Guarantor and the Dealers to inform themselves about and to observe any such restrictions. The Issuer, the Guarantor, the Arranger, the Joint Lead Managers, the Dealers and the Trustee 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 Guarantor, the Arranger, any Joint Lead Manager, the Dealers or the Trustee, 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 13 “*Subscription and Sale*”.

All references herein to:

- (i) “**pounds**”, “**sterling**” or “**£**” are to the lawful currency of the United Kingdom;
- (ii) “**\$**”, “**U.S.\$**”, “**U.S. dollars**” or “**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 (“**Economic and Monetary Union**”);
- (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 Managers”) (or person acting on behalf of the 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 person 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 person 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 the Guarantor 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 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.enwltd.co.uk/>. The Guarantor 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 the Guarantor, at its offices, as 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 Issuer or the Guarantor, and/or the rights attaching to the Notes and/or the Guarantee, 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 Trustee such number of copies of such supplement hereto or replacement prospectus as such Dealer and Trustee may reasonably request. The Guarantor has undertaken to assist the Issuer in preparing and publishing such amendment or supplement to this Prospectus. 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).

The Issuer has undertaken to the Dealers in the Dealership Agreement (as defined in Chapter 13 “*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 87G 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 87G of the FSMA.

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CHAPTER 1 THE PARTIES

Issuer	ENW Finance plc (the “ Issuer ”), a public limited company incorporated in England and Wales on 12 March 2009 with limited liability (registration number 06845434). The Issuer is UK tax resident. The shares of the Issuer are 100 per cent. beneficially owned by NWEN.
Guarantor and ENW	<p>Electricity North West Limited (the “Guarantor” and “ENW”), 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.</p> <p>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 will borrow the proceeds of each Note issue pursuant to the terms of the Issuer/ENW Loan Agreement. ENW will guarantee the Issuer’s obligations with respect to the Notes (such guarantee in respect of each Series of Notes being a “Guarantee”).</p>
NWEN	North West Electricity Networks Limited (“ NWEN ”) a company incorporated on 15 November 2007 in England and Wales with limited liability (registration number 6428375). NWEN is tax resident in the United Kingdom.
ENW Group	The Issuer, ENW and each of ENW’s Subsidiaries from time to time.
Programme 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 dealer (together with any other dealer(s) appointed from time to time by the Issuer and ENW, the “ Dealers ” and each a “ relevant Dealer ”) either generally or for a particular issue under the Programme.
Financial Guarantor	<p>The Issuer shall arrange for Financial Guarantors to issue Financial Guarantees in favour of the 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>

Paying Agents	HSBC Bank plc (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, the “ Paying Agents ”) 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 about the Signing Date by, <i>inter alia</i> , the Issuer, the Guarantor, the Principal Paying Agent 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 ”) pursuant to the Agency Agreement.
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	In respect of the Notes to be issued on or around the Programme Date, Standard & Poor’s Ratings Services Inc. (“ S&P ”), Moody’s Investors Service Inc. (“ Moody’s ”) 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.
Trustee	The Law Debenture Trust Corporation p.l.c (or any successor trustee appointed pursuant to the Trust Deed (as defined below) (the “ Trustee ”) will act as Trustee for and on behalf of the holders of the Notes of each Series issued under the Programme from time to time (each a “ Noteholder ”).

CHAPTER 2 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	Guaranteed note issuance programme (the “ Programme ”).
Programme Size	Up to £1,000,000,000 (or its equivalent in other currencies permitted under the Programme) aggregate nominal amount of Notes outstanding at any time.
Classification	<p>Any Notes issued under the Programme will be issued in Series, with each Series belonging to one of two Classes, Wrapped Notes or Unwrapped 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 ”). It is intended that the first issue of Notes under the Programme will be the Programme 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 13 “<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 13 “<i>Subscription and Sale</i>”).</p>
Currencies	Sterling, euro, U.S. dollars or yen or, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer(s). The applicable Final Terms may provide that certain Notes may be redenominated in euro.
Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer(s), subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body), or any laws or regulations applicable to the Issuer or the relevant Specified Currency (as defined in the relevant Final Terms).
Issue Price	Notes may be issued at their nominal amount or at a discount or

premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Form of Notes

The Notes may be issued in bearer form only (“**Bearer Notes**”), in bearer form exchangeable for Registered Notes (“**Exchangeable Bearer Notes**”) or in registered form only (“**Registered Notes**”). Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a temporary Global Note if (i) Definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the TEFRA D Rules (as defined below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more Clearing Systems (as defined below) are referred to as “**Global Certificates**”.

Fixed Rate Notes

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

Floating Rate Notes

Floating Rate Notes will bear interest determined:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or
- (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.

Interest periods will be specified in the relevant Final Terms.

Zero Coupon Notes

Zero Coupon Notes (as defined in Chapter 8 “*Terms and Conditions of the Notes*”) may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in Chapter 8 “*Terms and Conditions of the Notes*”) will be made in such currencies and based on such rates of exchange as may be specified in the relevant Final Terms.

Index-Linked Notes

Payments of principal in respect of Index-Linked Redemption Notes (as defined in Chapter 8 “*Terms and Conditions of the Notes*”) or of interest in respect of Index-Linked Interest Notes (as defined in Chapter 8 “*Terms and Conditions of the Notes*”) will be calculated by reference to such index and/or formula as may be specified in the Conditions and the relevant Final Terms.

Interest Periods and Interest Rates

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

Redemption

The relevant Final Terms will specify the basis for calculating

the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and 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 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Redemption by Instalments

The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Other Notes

Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, Partly Paid Notes and any other type of Note that the Issuer, the Trustee and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms and a supplementary prospectus.

Optional Redemption

The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part), and, if so, the terms applicable to such redemption.

The Final Terms issued in respect of each issue of Notes will also state whether such Notes may, in certain circumstances, be redeemable prior to their stated maturity at the option of the Noteholders. See Condition 7 (*Redemption, Purchase and Options*).

Early Redemption

Except as provided in “*Optional Redemption*” above, Notes will be redeemable at the option of the Issuer prior to their stated maturity only for tax or index event reasons. See Condition 7 (*Redemption, Purchase and Options*).

Financial Guarantors will not guarantee any amount (other than scheduled interest and scheduled principal amounts, as adjusted for indexation (where applicable)) payable as a result of an early redemption of any Tranche of Wrapped Notes (as more particularly described in the definition of “FG Excepted Amounts”).

Specified Denomination

Definitive Notes will be in such denominations as may be specified in the relevant Final Terms, save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the EEA or offered to the public in a EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and 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 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Clearing Systems

Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Principal Paying Agent, the Trustee and the relevant Dealer (together, the “**Clearing Systems**”).

Initial Delivery of Notes

On or before the issue date for each Tranche, if the relevant Global Note is a NGN, 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 relevant Global Note is a CGN, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Certificate representing Registered Notes may be deposited with a Clearing System or may be delivered outside any Clearing System, provided that the method of such delivery has been agreed in advance by the Issuer, the Principal Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more Clearing Systems on issue will be registered in the name of nominees or a common nominee for such Clearing Systems.

Taxation

Payments in respect of Notes made by the Issuer or under the Guarantee, or a Financial Guarantee or payments made under the Issuer/ENW 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 such event, the Issuer or the Guarantor (as the case may be) will, save in certain limited circumstances as provided in Condition 9 (*Taxation*), pay such additional amounts as shall be necessary in order that the net amounts receivable by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons or the Guarantee, as the case may be.

The Financial Guarantors shall not be required under the Financial Guarantees to pay any additional amounts pursuant to Condition 9 (*Taxation*) in respect of the Notes or the Guarantee.

Status of the Notes

The Notes will constitute unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference or priority amongst themselves. Each Sub-Tranche of Notes of the same Tranche will rank *pari passu* without preference or priority amongst themselves. The Notes (as a result of the Guarantee contained in the Trust Deed) will also rank *pari passu* with any other unsecured, unsubordinated and unguaranteed obligations of the Guarantor.

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 Conditions and the Trust Deed, (b) the Guarantor in accordance with the Guarantee and (c) to the extent that any Wrapped Notes are issued, the relevant Financial Guarantor in certain circumstances in accordance with the relevant Financial Guarantee.

Status of Financial Guarantees in Relation to Wrapped Notes

Each Financial Guarantee issued in favour of the Trustee in relation to a Tranche of Notes will be a direct, unsecured obligation of the relevant 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, 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 Wrapped 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.

Covenants

The representations, warranties, covenants (positive, negative and financial) and events of default which will apply to, among other things, the Notes will be set out in Conditions 4 (*Covenants*) and 11 (*Events of Default*) and in the Trust Deed.

Reimbursement

The Issuer and the Guarantor will be obliged, pursuant to the terms of a Guarantee and Reimbursement Agreement (as defined in the Conditions) to be entered into with the relevant Financial Guarantor in respect of any Tranche or Series of Wrapped Notes, among other things, to reimburse such Financial Guarantor in respect of payments made by it under the relevant Financial Guarantee of such Tranche or Series of Wrapped Notes. Each Financial Guarantor will be subrogated to the rights of the relevant Noteholders and the Trustee against the Issuer or the Guarantor (as the case may be) in respect of any payments made under such Financial Guarantees provided that, prior to commencing any legal proceeding in the name of the Trustee, the relevant Financial Guarantor shall first consult the Trustee.

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 Regulated Market of the London Stock Exchange. 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

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 Rating and reflect only the views of the Rating Agencies. The ratings assigned to any Unwrapped Notes reflect only the views of the Rating Agencies and may not necessarily be the same as the ratings of the long-term unsecured, unguaranteed and unsubordinated debt obligations of the Guarantor. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by 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. See Chapter 13 "*Subscription and Sale*".

Governing Law

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

Selling Restrictions

There will be restrictions on the offer, sale and transfer of the Notes in the United States, United Kingdom and general selling restrictions and such other restrictions as may be required in connection with the offering and sale of a particular Sub-Tranche of Notes as set out in the relevant Final Terms.

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 Issuer/ENW Loan Agreement will be treated as prepaid).

Offering of Notes

Regulation S.

CHAPTER 3 RISK FACTORS

The Issuer and the Guarantor 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 Guarantor are not in a position to express a view on the likelihood of any such contingency occurring.

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

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer and the Guarantor 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 unsecured debt obligations of the Issuer which are supported by a Guarantee from the Guarantor (ENW). However, prospective investors should note that the Issuer is a special purpose entity which does not conduct any business operations. The sole operating company within the ENW Group is ENW.

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 7 “*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 6 "*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 Issuer/ENW Loan Agreement or the NWEN/ENW Loan Agreement) which is (i) entered into on an arm's 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 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 meet its obligations under the Issuer/ENW Loan Agreement and the Guarantee 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 meet its obligations under the Issuer/ENW Loan Agreement and the Guarantee, which in turn may ultimately affect the Issuer’s ability to meet its obligations under the Notes and the other Transaction 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 5 "*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 5 "*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 5 "*ENW Business Description*" under "*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 7 "*Regulation of Electricity Distribution in Great Britain- Energy Administration Orders*".

An Energy Administrator has extensive powers, which are described in Chapter 7 "*Regulation of Electricity Distribution in Great Britain*" in the section entitled "*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 7 "*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.

Risk Factors relating to the Issuer and the Notes

The Issuer is a special purpose financing entity with no business operations other than raising external funding for ENW 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/ENW Loan Agreement.

The Issuer's dependence on payments from ENW under the Issuer/ENW Loan Agreement is subject to all the same risks relating to revenues and expenses to which ENW 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.

Rights available to Noteholders

The Trust Deed contains provisions detailing the Trustee's obligations to consider the interests of the Noteholders as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise). Subject to certain exceptions, to the extent that the exercise of any rights, powers, trusts and discretions of the Trustee relates to any Wrapped Notes, the Trustee shall only act on the instructions of the Relevant Financial Guarantor(s) in accordance with the Trust Deed, subject to its being indemnified and/or secured and/or prefunded to its satisfaction.

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

Although Notes which are admitted to trading on a regulated market in 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 are required to have a minimum denomination of €50,000 (or, where the Relevant Currency is not euro, its equivalent in the Relevant Currency), 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 the Guarantor, the Guarantee given by the Guarantor, structural features and other aspects of the transaction. The ratings assigned by the Rating Agencies to the 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, among other things, on certain underlying characteristics of the business and financial condition of ENW as Guarantor, 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 ENW and/or circumstances relating to the electricity industry generally, could have an adverse impact on the ratings of the Notes.

Withholding Tax under the Notes

In the event that withholding taxes are imposed by tax authorities in the United Kingdom in respect of payments due under the Notes, the Issuer or the Guarantor, as the case may be, will (subject to certain exceptions described in Condition 9 (*Taxation*)) pay such additional amounts as will result (after such deduction or withholding) in receipt by the holders of Notes, Receipts or Coupons of the amounts which would otherwise have been receivable (in the absence of such deduction or withholding). In addition, as described in Condition 7(c) (*Redemption for Taxation Reasons*), the Issuer will have the option (but not the obligation):

- (i) to arrange for the substitution of a company incorporated in an alternative jurisdiction as principal debtor under the Notes (subject to certain conditions); and, failing this,
- (ii) to redeem all outstanding Notes of the relevant series in full at par plus accrued interest.

Any additional amount required to be paid by the relevant Issuer in respect of any Tranche of Wrapped Notes by reason of the imposition of any deduction or withholding described above would not be guaranteed by the relevant Financial Guarantor under the relevant Financial Guarantee.

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 EU Directive.

Change of Law

The structure of the transaction and, among other things, 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 of this Prospectus, 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 ENW Group, but it is possible that they may adversely affect the ability 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 10 "*Pro Forma Final Terms*").

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 ENW 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 Transaction Documents contain certain conditions and/or triggers which are based upon an assessment of the financial condition of the Issuer and ENW calculated by reference to the financial statements produced in respect of the companies in the ENW 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 Issuer or ENW 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 4 THE ISSUER

The Issuer, ENW Finance Plc, was incorporated in England and Wales on 12 March 2009 (registered number 06845434), 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, among other things, (i) to borrow and raise money and accept money on deposit and to secure or discharge any debt or obligation in any manner and in particular (without prejudice to the generality of the foregoing) by mortgages, pledges, liens or charges upon all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Issuer or by the creation and issue of securities and financial instruments (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 into (whether directly or indirectly, as principal or agent, trustee or beneficiary) 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 save as described below, 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 Transaction Documents 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.

On or around the Signing Date, it is anticipated that the Issuer will enter into the Issuer/ENW Index-Linked Swap transaction and the Issuer/ENW Interest Rate Swap transaction with ENW in anticipation of the expected issuance of Notes on the Programme Date. It will also make an advance to NWEN, out of a premium received by it in respect of the Issuer/ENW Index-Linked Swap, pursuant to the Issuer/NWEN Loan Agreement.

The Issuer will covenant to observe certain restrictions on its activities, which are detailed in the Trust Deed and in Condition 4 (*Covenants*).

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,	Non-Executive Director

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

None of the directors of the Issuer performs activities outside the ENW Group which are significant with respect to the ENW Group. There is no existing or potential conflict of interest between the directors' duties to the Issuer and/or private interests or other duties.

The company secretary of the Issuer is Chantal Forrest.

The directors of ENW Finance Plc perform no other principal activities outside the Issuer which are significant with respect to the Issuer.

3 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 5 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.

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 ENW Group which are significant with respect to the ENW 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	John Gittins, non-executive director, joined the Board on 16 th

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.

Description of the ENW Business

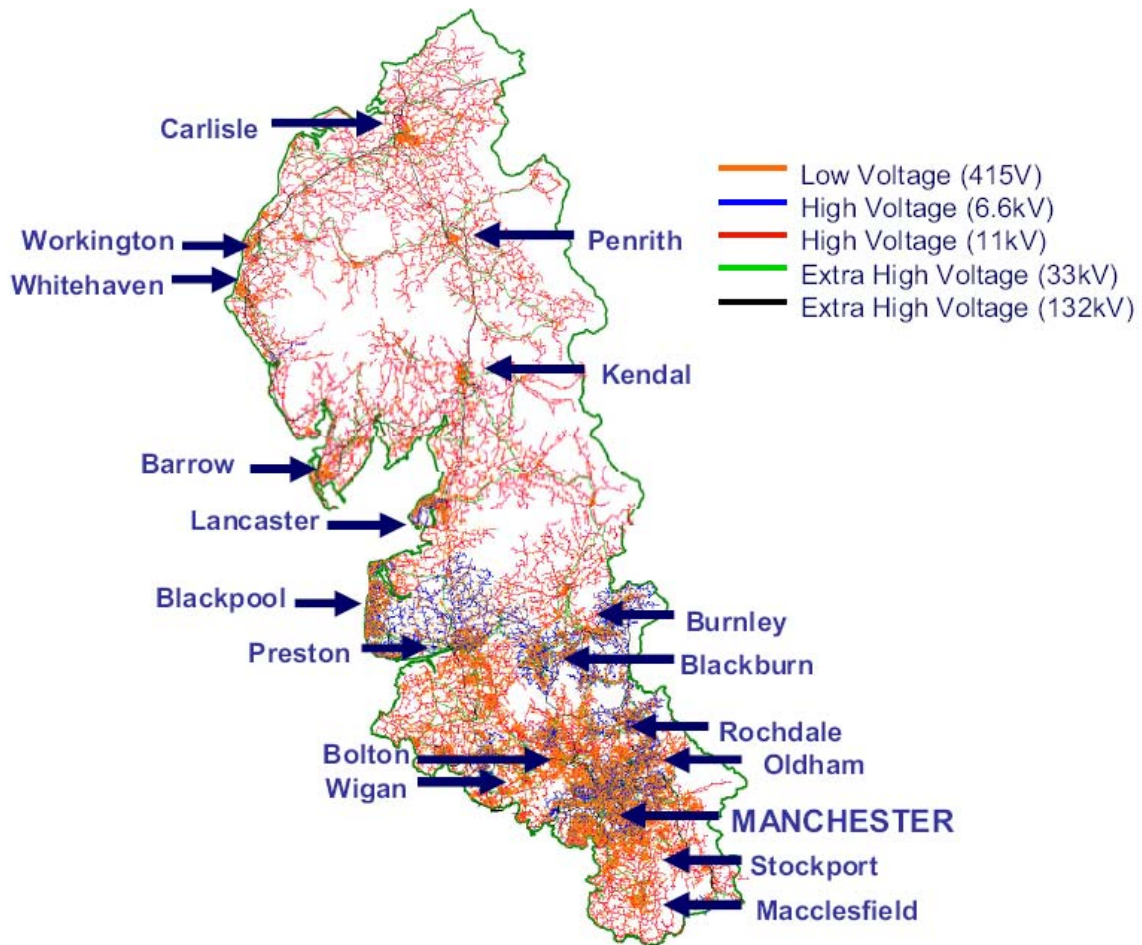
Note: the Licence uses “customer” to refer, on some occasions, to a source of revenue but far more often to refer to a consumer of electricity. In this Prospectus “customer” refers to a source of revenue (in the main, suppliers of electricity from whom ENW derives more than 90 per cent. of its revenues)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

¹ Please refer to Standard Condition 29.10.

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.

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.

As at 18 June 2009, ENW had 91 employees. A further 1,136 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 £181.5million 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 date)	10 days following notice, if not remedied or waived
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 2.3 GW, 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 7 "*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 3 "*Risk Factors*" under "*Risk that ENW's charging policies are judged to be anti-competitive*"),

CHAPTER 6 RING FENCING

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 intragroup loan (such as the Issuer/ENW Loan Agreement or the NWEN/ENW Loan Agreement) which is (i) entered into on an arm's length basis on normal commercial terms and applied for a "Permitted Purpose", and (ii) entered into prior to the date of the above mentioned ratings events, would be permitted under the Licence, provided 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 7

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 3 “*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 6 "*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: 34.9 m³) 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 5-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 fourteen 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 fourteen 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 fourteen 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 8 TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the Definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

ENW Finance plc (the “**Issuer**”) has established a guaranteed Note issuance programme (the “**Programme**”) for the issuance of up to £1,000,000,000 (or its equivalent in other currencies) Notes (the “**Notes**”). The Issuer’s obligations in respect of the Notes will be unconditionally and irrevocably guaranteed by Electricity North West Limited (the “**Guarantor**” and “**ENW**”) pursuant to the Guarantee (as defined in Condition 3 (*Guarantee and Status*)). Notes issued under the Programme on a particular date (each such date an “**Issue Date**”) comprise a series (a “**Series**”) and each Series comprises one or more tranches of Notes (each a “**Tranche**”) which may be divided into sub-tranches (each a “**Sub-Tranche**”).

The Notes are constituted by a Trust Deed (as amended or supplemented as at the relevant Issue Date of the Notes (the “**Issue Date**”), the “**Trust Deed**”) dated on or about 17 July 2009 (the “**Signing Date**”) between the Issuer, the Guarantor and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An Agency Agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated on or about the Signing Date has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, HSBC Bank plc as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Principal Paying Agent**”, the “**Paying Agents**” (which expression shall include the Principal Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar) and the “**Calculation Agent(s)**”. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX), and at the specified offices of the Paying Agents and the Transfer Agents.

Certain Tranches of Notes may be issued with the benefit of a financial guarantee (each a “**Financial Guarantee**”) issued by a financial guarantor appointed at the relevant time by the Issuer (each a “**Financial Guarantor**” and, together, the “**Financial Guarantors**”). Each Financial Guarantee will be issued pursuant to and in accordance with a guarantee and reimbursement agreement or such similar agreement (each a “**Guarantee and Reimbursement Agreement**”) expected to be dated the Issue Date of the corresponding Tranche of Wrapped Notes between, among others, the Issuer, the Guarantor and the relevant Financial Guarantor. Each Tranche of Notes having the benefit of a Financial Guarantee will be designated as “**Wrapped Notes**”. Notes which are not issued with the benefit of a Financial Guarantee will be designated as “**Unwrapped Notes**”.

Each Tranche of Wrapped Notes will be unconditionally and irrevocably guaranteed as to scheduled payments of principal and interest (as adjusted for indexation, where applicable, but excluding FG Excepted Amounts) pursuant to the relevant Financial Guarantee to be issued by the relevant Financial Guarantor in conjunction with the issue of each Tranche of Wrapped Notes. “**FG Excepted Amounts**” means: (i) any amount (other than scheduled interest and scheduled principal amounts) payable as a result of an early redemption of any Tranche of Wrapped Notes pursuant to Conditions 7(b) (*Early Redemption*), 7(c) (*Redemption for Taxation Reasons*), 7(d) (*Redemption at the Option of the Issuer*), 7(e) (*Redemption at the Option of Noteholders*) or 7(f) (*Redemption for Index Reasons*); (ii) any amount in respect of default interest or any other sum (other than scheduled interest and scheduled principal amounts) payable in respect of Wrapped Notes solely by reason of any default or acceleration of Wrapped Notes; (iii) principal due on an accelerated basis together

with any accrued interest to the date of acceleration, unless the relevant Financial Guarantor has elected in its sole discretion to redeem such Wrapped Notes on an accelerated basis; (iv) any present or future taxes, duties assessments or governmental charges of whatever nature imposed or levied by or on behalf of any jurisdiction in respect of Wrapped Notes; and (v) any amount payable by the Issuer in respect of Wrapped Notes in respect of a gross-up arising as a result of any withholding or deduction on account of tax) (all as more particularly described in the relevant Financial Guarantee).

Unwrapped Notes will not have the benefit of any Financial Guarantee.

On or about the Signing Date, the Issuer and the Guarantor entered into a dealership agreement (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 Tranche of Notes to be issued by the Issuer, and pursuant to which the Dealers have agreed to subscribe the relevant Tranche of Notes.

The Noteholders, the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (the “**Receipts**”) relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

As used in these Conditions, “**Tranche**” means Notes which are identical in all respects.

1 **Form, Denomination and Title**

The Notes are issued in bearer form (“**Bearer Notes**”, which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form (“**Registered Notes**”) or in bearer form exchangeable for Registered Notes (“**Exchangeable Bearer Notes**”) in each case in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be 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, the minimum Specified Denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

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

This Note is either a fixed rate Note (“**Fixed Rate Note**”), a floating rate Note (“**Floating Rate Note**”), a zero coupon Note (“**Zero Coupon Note**”), an index-linked interest Note (“**Index-Linked Interest Note**”), an index-linked redemption Note (“**Index-Linked Redemption Note**”), an instalment Note (“**Instalment Note**”), a dual currency Note (“**Dual Currency Note**”) or a partly paid Note (“**Partly Paid Note**”), a combination of any of the foregoing or any other kind of Note, depending upon the interest and redemption/payment basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes, in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c) (*Exercise of Options or Partial Redemption in Respect of Registered Notes*), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes

(a) Exchange of Exchangeable Bearer Notes

Subject as provided in Condition 2(f) (*Closed Periods*) below, Exchangeable Bearer Notes may be exchanged for the same nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmaturing Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 8(b) (*Registered Notes*)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes

One or more Registered Notes may be transferred (at the cost of the transferor Noteholder) upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of an Issuer’s or Noteholders option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Conditions 2(a) (*Exchange of Exchangeable Bearer Notes*), 2(b) (*Transfer of Registered Notes*) and 2(c) (*Exercise of Options or Partial Redemption in Respect of Registered Notes*) above shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 7(e) (*Redemption at the Option of Noteholders*)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such

delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d) (*Delivery of New Certificates*), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) Exchange Free of Charge

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

(f) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s): (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note; (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7(d) (*Redemption at the Option of the Issuer*); (iii) after any such Note has been called for redemption; or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

3 Guarantee and Status

(a) Guarantee

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes, Receipts and Coupons. Its obligations in that respect (the “**Guarantee**”) are contained in the Trust Deed.

(b) Status of Notes and Guarantee

The Notes and the Receipts and Coupons constitute (subject to Condition 4 (*Covenants*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes, Receipts and Coupons and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (*Covenants*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future.

(c) Financial Guarantee Issued by a Financial Guarantor

This Condition 3(c) (*Financial Guarantee Issued by a Financial Guarantor*) is applicable only in relation to Notes which are specified as being a Tranche of Wrapped Notes. Each Tranche of Wrapped Notes will have the benefit of a Financial Guarantee issued by a Financial Guarantor, issued pursuant to a Guarantee and Reimbursement Agreement between, *inter alios*, the Issuer, the Guarantor and the relevant Financial Guarantor dated on or before the relevant Issue Date of such Notes. Under the relevant Financial Guarantee, the relevant Financial Guarantor unconditionally and irrevocably agrees to pay to or to the order of the Trustee (on trust for itself and for the Noteholders) all sums due and payable but unpaid by the Issuer in respect of scheduled payments of interest and scheduled repayments of principal on the Maturity Date of the relevant Tranche of Wrapped Notes (but excluding FG Excepted Amounts) with respect to 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 in respect of any such Wrapped Notes which have become immediately due and payable (whether by virtue of acceleration,

prepayment or otherwise) other than on the relevant Payment Date or Scheduled Payment Date (each as defined in the relevant Financial Guarantee) will not be treated as Guaranteed Amounts (as defined in the relevant Financial Guarantee) which are Due for Payment (as defined in the relevant Financial Guarantee) under the relevant Financial Guarantee unless the relevant Financial Guarantor, in its sole discretion, elects so to do by notice in writing to the Trustee. The relevant Financial Guarantor may elect to accelerate payments due under the relevant Financial Guarantee in whole or in part. All payments made by a Financial Guarantor under a Financial Guarantee in respect of partial acceleration shall be applied: (i) to pay the Interest or Scheduled Interest (each as defined in the relevant Financial Guarantee) accrued but unpaid on the Principal or Scheduled Principal (each as defined in the relevant Financial Guarantee) of such part of the accelerated payment; and (ii) to reduce the Principal or Scheduled Principal (each 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 defined in the relevant Financial Guarantee)) outstanding under the relevant Tranches of Wrapped Notes. If no such election is made, the relevant Financial Guarantor will continue to be liable to make payments in respect of 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 Amount (as determined by Condition 7(b) (*Early Redemption*)) of any Wrapped Note exceeds the aggregate of the outstanding nominal amount and any accrued interest outstanding on any such Wrapped Note to be redeemed (each as adjusted for indexation in accordance with Condition 6(b) (*Application of the Index Ratio*), if applicable), payment of the amount of such excess will not be guaranteed by the Financial Guarantors under the relevant Financial Guarantee.

(d) Status of Financial Guarantees

This Condition 3(d) (*Status of Financial Guarantees*) is applicable only in relation to Notes which are specified as being a Tranche of Wrapped Notes. Each Financial Guarantee provided by a Financial Guarantor in respect of a Tranche of Wrapped Notes will constitute a direct, unsecured and unsubordinated obligation of such 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.

To the extent that any payment is made by a Financial Guarantor pursuant to a Financial Guarantee and not reimbursed by the Issuer in full, such Financial Guarantor shall be fully subrogated to the extent of such non-reimbursed payment and any additional interest due on any late payment to such Financial Guarantor to the rights of the Trustee and each relevant Noteholder provided that, prior to commencing any legal proceeding in the name of the Trustee, the relevant Financial Guarantor shall first consult the Trustee.

4 Covenants

(a) Positive Covenants

- (i) **Compliance:** The Issuer and the Guarantor shall comply with:
- (A) the terms of the Trust Deed and the terms of each other Transaction Document to which it is a party;
 - (B) any instructions of the Trustee given in the exercising of the Trustee's rights pursuant to the Trust Deed to the extent not incompatible with the Licence or applicable law; and
 - (C) in the case of the Guarantor only, the terms of the Licence.
- (ii) **Information:** Subject to any confidentiality restrictions, the Issuer shall promptly supply:
- (A) such information to the Trustee and the Rating Agencies as they may reasonably request from time to time; and
 - (B) information regarding the number of Notes held by the Issuer or members of the ENW Group or any of their respective Affiliates to the Trustee as requested from time to time.

- (iii) **Notification:** The Issuer shall give notice in writing to the Trustee, the relevant Financial Guarantor in respect of a Tranche of Wrapped Notes (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) and the Noteholders in respect of the relevant Series forthwith upon becoming aware of the occurrence of any of the following events in relation to such Series and without waiting for the Trustee to take any action:
 - (A) any late payment of any amounts due under the Notes;
 - (B) a Restructuring Event;
 - (C) an Event of Default or Potential Event of Default;
 - (D) any Rating Downgrade (as defined in Condition 7(e)(iii)); and
 - (E) any change of Paying Agent.
- (iv) **Listing:** If the Notes are listed and traded, the Issuer shall use all reasonable endeavours to obtain and maintain the listing of the Notes of each Series on the Official List and to obtain and maintain the admission to trading on the London Stock Exchange (including compliance with the continuing obligations applicable to the Issuer by virtue of the admission of the Notes to the Official List or the admission to trading on the London Stock Exchange) or, if it is unable to do so having used all reasonable endeavours, use all reasonable endeavours to obtain and maintain a quotation or listing of the Notes on such other stock exchange or exchanges or securities market or markets which is a recognised stock exchange for the purposes of Section 1005 of the Income Tax Act 2007 as the Issuer may (with the prior written approval of the Trustee) decide, and shall also use all reasonable endeavours to procure that there will at all times be furnished to the London Stock Exchange or to any other such stock exchange or securities market such information as the London Stock Exchange, UKLA or, as the case may be, any other such stock exchange or securities market may require to be furnished in accordance with its requirements, and shall also upon obtaining a quotation or listing of the Notes on such other stock exchange or exchanges or securities market or markets enter into a deed supplemental to the Trust Deed to effect such consequential amendments to the Trust Deed as the Trustee may require or as shall be requisite to comply with the requirements of any such stock exchange or securities market.
- (v) **Rating:** The Issuer and the Guarantor shall use all reasonable endeavours to maintain: (i) an Investment Grade Shadow Rating from each of the Rating Agencies (for so long as any Tranche of Wrapped Notes is outstanding); and (ii) an Investment Grade rating from each of the Rating Agencies in respect of the Guarantor's long-term unsecured, unguaranteed and unsubordinated debt obligations.
- (vi) **Ratio Calculations:** The Guarantor shall on each Covenant Calculation Date, calculate (or procure the calculation of) the Net Debt to RAV Ratio in respect of the last day of the 12-month period ending on such Covenant Calculation Date and on each Covenant Calculation Date falling on the last day of each financial year, 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.
- (vii) **Compliance Certificate:** So long as any Note remains outstanding, to provide to the Trustee and (for so long as any Wrapped Note remains outstanding and prior to the occurrence of a Financial Guarantor Termination Event with respect to such Financial Guarantor), the relevant Financial Guarantor within 90 days following each Covenant Calculation Date a certificate (such certificate being a "**Compliance Certificate**") signed by two officers or authorised signatories (such authorised signatories to have been expressly authorised by board resolution) stating its Net Debt to RAV Ratio for each Relevant Period, calculated by reference to the most recently occurring Covenant Calculation Date.

(b) Negative Covenants

- (i) **Negative Pledge:** So long as any of the Notes remain outstanding, the Issuer will ensure that no Financial Indebtedness of the Issuer, the Guarantor or any of its Subsidiaries will be secured by a Security Interest upon, or with respect to, any of the present or future business undertakings,

assets or revenues of the Issuer, the Guarantor or any of the Guarantor's Subsidiaries save for any Permitted Security Interest or unless:

- (A) all amounts payable under the Notes and the related Receipts, Talons and Coupons, the Guarantee, any Guarantee and Reimbursement Agreement, and the Trust Deed are secured equally and rateably with the Financial Indebtedness; or
 - (B) such Security Interest or other arrangement (a) is deemed by the Trustee in its absolute discretion not to be materially less beneficial to the holders of each Tranche of Unwrapped Notes (and following a Financial Guarantor Termination Event, the holders of the related Tranche(s) of Wrapped Notes); or (b) has been approved by an Extraordinary Resolution of the holders of each Tranche of Unwrapped Notes (and following a Financial Guarantor Termination Event, the holders of the related Tranche(s) of Wrapped Notes); or
 - (C) in the case of Wrapped Notes only, but not in relation to Unwrapped Notes in respect of which paragraph (A) or (B) above shall apply, prior to a Financial Guarantor Termination Event with respect to the relevant Financial Guarantor, such Security Interest or other arrangement has been approved by the relevant Financial Guarantor.
- (ii) **Change of Business:** The Guarantor shall not change the nature of its business if such change in business is not in compliance with its obligations under the Licence.
 - (iii) **Licence Transfer:** The Guarantor shall not transfer the Licence to any other person, whether or not it is to a member of the ENW Group.
 - (iv) **Permitted Business:** The Issuer shall not carry on any business other than the raising of funds to provide debt financing to the Guarantor in accordance with the Transaction Documents or as otherwise permitted by the Transaction Documents.
 - (v) **Conduct of Business:** The Issuer shall not, save as permitted under the Transaction Documents:
 - (A) own any assets or incur any liabilities except as required or permitted pursuant to the Transaction Documents; or
 - (B) suspend, abandon or cease to carry on its business.
 - (vi) **Restrictions on further Financial Indebtedness:** Each of the Issuer, the Guarantor and each of the Guarantor's Subsidiaries shall not be permitted to raise further Financial Indebtedness if 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 Financial Indebtedness and any increased cash or Authorised Investments, would as a result of the incurring of that Financial Indebtedness, exceed 65 per cent.
 - (vii) **Restricted Payments:** The Guarantor shall not be permitted to make any Restricted Payments unless the Restricted Payment Conditions are satisfied or as otherwise permitted pursuant to the Transaction Documents and it shall not put in place alternative arrangements, the purpose of which is intended to circumvent any such limitation on the payment of Restricted Payments. Where Restricted Payment Condition (a) below is satisfied but either or both of Restricted Payment Conditions (b) and (c) below are not satisfied, the Guarantor shall still be entitled to make Restricted Payments to NWEN but only by payment during each period from one NWEN Determination Date to the next following NWEN Determination Date of amounts which, in aggregate, do not exceed the Required NWEN Debt Service Amount into the Debt Service Payment Account.

The "**Restricted Payment Conditions**" will be satisfied if:

- (a) no Event of Default or Potential Event of Default is subsisting;
- (b) the most recent Compliance Certificate delivered pursuant to Condition 4(a)(vii) (*Compliance Certificate*) above confirms that in respect of any Relevant Period, the Net Debt to RAV Ratio is lower than 65 per cent.; and

- (c) the Net Debt to RAV Ratio following the making of such Restricted Payment would not exceed 65 per cent.

The Guarantor shall be treated as having made to the Trustee and to the relevant Financial Guarantor in respect of any Wrapped Notes (save where a Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) a representation on the date of any Restricted Payment that the Restricted Payment Conditions in relation to such Restricted Payment have been satisfied and the Trustee and (where applicable) the relevant Financial Guarantor may rely on such representation without liability to any person.

(c) Certification

The Issuer and the Guarantor have undertaken in the Trust Deed to deliver to the Trustee from time to time Officers' Certificates prepared by each of them as to compliance with the covenants set out in this Condition 4 (*Covenants*) and as to there not having occurred an Event of Default or Potential Event of Default since the date of the last such Officers' Certificate, or if such an event has occurred, as to the details of such event. The Trustee is not obliged to monitor compliance with the covenants set out in this Condition 4 (*Covenants*) and shall be entitled to rely on such Officers' Certificates without further enquiry or liability to any person and need not enquire further as regards the circumstances then existing.

(d) Use of Websites

The Issuer and the Guarantor have covenanted to provide the Noteholders with certain additional information (as set out in clause 10 of the Trust Deed). Such information may be published on a website designated by the Guarantor and the Issuer.

In the event that 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 in paper form to the Noteholders. Copies of such information will be available for inspection at the specified office of the Paying Agents and the Issuer.

5 Interest and other Calculations

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h) (*Partly Paid Notes*) below.
- (b) **Interest on Floating Rate Notes and Index-Linked Interest Notes**
 - (i) *Interest Payment Dates:* Each Floating Rate Note and Index-Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest (in the case of Index-Linked Interest Notes, multiplied by the Index Ratio in accordance with Condition 6 (*Indexation*)), such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(k) (*Calculations*) below. Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
 - (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is: (A) the "**Floating Rate Business Day Convention**", such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would

have fallen had it not been subject to adjustment; (B) the “**Following Business Day Convention**”, such date shall be postponed to the next day that is a Business Day; (C) the “**Modified Following Business Day Convention**”, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or (D) the “**Preceding Business Day Convention**”, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified hereon;
- (b) the Designated Maturity is a period specified hereon; and
- (c) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

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

(B) Screen Rate Determination for Floating Rate Notes

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

- (a) the offered quotation; or
- (b) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(c) if the Relevant Screen Page is not available or if, sub-paragraph (B)(a) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (B)(b) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is

EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

- (d) if paragraph (c) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer (with the approval of the Trustee) suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).
- (e) **Rate of Interest for Index-Linked Interest Notes:** The Rate of Interest in respect of Index-Linked Interest Notes for each Interest Accrual Period shall be specified hereon and interest will accrue in accordance with the provisions of this Condition 5 (*Interest and other Calculations*) and the provisions of Condition 6 (*Indexation*).
- (f) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the early redemption amount of such Note (the “**Early Redemption Amount**”). As from the Maturity Date, the Rate of Interest for any overdue principal of such Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 7(b)(i) (*Zero Coupon Notes*)).
- (g) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (h) **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 hereon.
- (i) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 (*Interest and other Calculations*) to the Relevant Date (as defined in Condition 9 (*Taxation*)).

- (j) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding:**
- (i) If any Margin or Rate Multiplier is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) (*Interest on Floating Rate Notes and Index-Linked Interest Notes*) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph.
 - (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “**unit**” means the lowest amount of such currency that is available as legal tender in the countries of such currency.
- (k) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (l) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor), each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii) (*Business Day Convention*) above, the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 11 (*Events of Default*), the accrued

interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 (*Interest and other Calculations*) but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (m) **Determination or Calculation by Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee shall, without liability (including any liability arising in connection with making any calculation or determination) to any person appoint, at the expense of the Guarantor, an agent on its behalf to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 5 (*Interest and other Calculations*), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- (n) **Certificates to be final:** All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5 (*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) or, pursuant to this Condition 5 (*Interest and other Calculations*) by the Trustee or an agent on its behalf be binding on the Issuer, the Guarantor, the Agent Bank, the 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, the Guarantor, the Trustee, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent, the Agent Bank or, if applicable, any calculation agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.
- (o) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET system is operating (a “**TARGET Business Day**”); and/or
- (iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (i) if “**Actual/Actual**” or “**Actual/Actual - ISDA**” is specified hereon, 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 (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365;

- (iii) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (iv) if “**30/360**”, “**360/360**” or “**Note Basis**” 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 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;

- (v) if “**30E/360**” or “**EuroNote Basis**” 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 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;

- (vi) 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;

- (vii) if “**Actual/Actual-ICMA**” is specified hereon,
 - (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:
 - (viii) 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
 - (ix) 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 to but excluding the next Determination Date.

“**Determination Date**” means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“**Interest Amount**” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified hereon.

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is sterling or (ii) the day falling two Business

Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“**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 Period Date**” means each Interest Payment Date unless otherwise specified hereon.

“**ISDA Definitions**” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

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

“**Reference Rate**” means the rate specified as such hereon.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified hereon.

“**Specified Currency**” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

- (p) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 Indexation

The provisions of this Condition 6 (*Indexation*) apply only to Index-Linked Interest Notes and Index-Linked Redemption Notes.

- (a) **Definitions:** In this Condition 6 (*Indexation*), unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Base Index Figure**” means (subject to Condition 6(c)(i) (*Changes in Circumstances affecting the Index*)) the base index figure as specified in the relevant Final Terms.

“**Index**” or “**Index Figure**” means, in relation to any relevant month, subject as provided in paragraph (c) (*Changes in circumstances affecting the Index*) below, the United Kingdom Retail Price Index

("RPI") published by the Central Statistics Office (or other relevant governmental department) (January 1987=100) or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Reference Gilt. Any reference to the Index Figure which is specified in the relevant Final Terms as:

- (i) applicable to a particular month shall, subject as provided in Condition 6 (c) (*Changes in circumstances affecting the Index*) below, be construed as a reference to the Index Figure published in the seventh month prior to that particular month and relating to the month before that of publication;
- (ii) applicable to the first calendar day of any month shall, subject as provided in Condition 6 (c) (*Changes in Circumstances affecting the Index*) below, be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or
- (iii) applicable to any other day in any month shall, subject as provided in Condition 6 (c) (*Changes in Circumstances affecting the Index*) below, be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in sub-paragraph (ii) above and (y) the Index Figure applicable to the first calendar day of the month following, calculated as specified in sub-paragraph (ii) above and rounded to the nearest fifth decimal place.

"**Index Ratio**" applicable to any month means the Index Figure applicable to such month divided by the Base Index Figure.

"**Index-Linked Notes**" means any Index-Linked Interest Notes and/or any Index-Linked Redemption Notes, as the context requires.

"**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 at a reputable financial institution, or other adviser selected by the Issuer and approved by the Trustee (an "**Indexation Adviser**").

- (b) **Application of the Index Ratio:** Each payment of interest (in the case of Index-Linked Interest Notes) and principal (in the case of Index-Linked Redemption Notes) in respect of the Notes shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio applicable to the month in which such payment falls to be made and rounded to four decimal places (0.00005 being rounded upwards).
- (c) **Changes in Circumstances affecting the Index:**
 - (i) If at any time and from time to time the Index shall be changed by the substitution of a new base therefore, then with effect from, and including, the calendar month in which such substitution takes effect:
 - (A) the definition of "**Index**" and "**Index Figure**" shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, such other date or month as may have been substituted therefore under this paragraph (i)); and
 - (B) the new Base Index Figure shall be the product of the then existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.
 - (ii) If the Index Figure relating to any month (the "**calculation month**"), which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the fourteenth Business Day before the date (the "**date for payment**") on which such payment is due otherwise than because the Index has ceased to be published, the Index Figure applicable for the relevant calculation month shall be:
 - (A) such substitute index figure (if any) as the Trustee (acting solely on the advice of the Indexation Adviser) and, in the case of Index-Linked Notes which are Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) shall agree to have been

published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, (or such other body designated by the UK government for such purpose) 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 Trustee on the advice of an Indexation Adviser; or

- (B) if no such determination is made by the 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 paragraph (ii)(A) above) before the date for payment.

Where the provisions of paragraph (ii) above 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, after an Index Figure having been applied pursuant to paragraph (ii)(B) above, the Index Figure relating to the calculation month is subsequently published while the Notes are still outstanding, then:

- I in relation to a payment of principal or interest in respect of the Notes other than upon redemption in full of the Notes, 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 paragraph (ii)(B) above either 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;
- II in relation to a payment of principal or interest upon redemption in full of the Notes, no subsequent adjustment to amounts paid will be made.

(iii)

- (A) If:
- (a) the Calculation Agent or Agent Bank notifies the Trustee and the Issuer that the Index has ceased to be published; or
- (b) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would:
- (i) in the opinion of the Trustee, acting solely on the advice of any Indexation Adviser and on whose opinion the Trustee is entitled to rely absolutely and without liability, be materially prejudicial to the interests of the Noteholders and, in the case of Index-Linked Notes which are Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) is of the opinion that such change is materially prejudicial to the holders of the relevant Wrapped Notes, in which event, the Trustee (or, if relevant, the Financial Guarantor) will give written notice of such occurrence to the Issuer and the relevant Financial Guarantor (in the case of notification by the Trustee) or, to the Trustee (in the case of notification by the Financial Guarantor); or
- (ii) in the opinion of the Issuer, be materially prejudicial to the interests of the Issuer (in which event, the Issuer will give written notice of such occurrence to the Trustee and the relevant Financial Guarantor),

and the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) and, in the case of Index-Linked Notes which are Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) 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, the Noteholders and, in the case of any Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) in no better and no worse position than they would have been in had the index not ceased to be published or the relevant fundamental change not been made.

- (B) If the Issuer, the Trustee and the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) fail to reach such agreement within 20 Business Days following the giving of such notice by or to the Trustee (or, if relevant, the Financial Guarantor), a bank or other person in London shall be appointed by the Issuer with the prior approval of the Trustee and, in the case of Index-Linked Notes which are Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) or, failing agreement on such appointment within 20 Business Days following the expiry of the 20 Business Day period referred to above, by the Trustee, and, in the case of Index-Linked Notes which are Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) (in each case, such bank or other person so appointed being referred to as the “**Expert**”), to determine for the purposes 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 and, in the case of Index-Linked Notes which are Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) 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, any Indexation Adviser, the Issuer and the Trustee and the relevant Financial Guarantor in connection with such appointment shall be borne by the Issuer.
- (C) If any payment in respect of the Notes is due to be made after the cessation or changes referred to in paragraphs (iii)(A) and (iii)(B) above, but before any such adjustment to, or replacement of, the Index takes effect, the Issuer shall (if the Index Figure applicable (or deemed applicable) to the calculation month is not available in accordance with the provisions of Condition 6 (c)(i) above) make a provisional payment on the basis that the Index Figure applicable to the month in which such payment is due to be made in the Index Figure last published. In that event or in the event of any payment (also referred to below as a “**provisional payment**”) on the Notes having been made on the basis of an Index applicable under Condition 6 (c)(ii)(A) above and the Trustee (on the written advice of the Expert, which it may rely on without liability to any person) or, in the case of Wrapped Notes, the relevant Financial Guarantor, subsequently determining that the relevant circumstances fall within this paragraph (iii), then:
- (a) in relation to a payment of principal or interest in respect of the Notes other than upon redemption in full of the Notes, if the sum which would have been payable if such adjustment or substitute index had been in effect on the due date for such payment is greater or less than the amount of such provisional payment, the Interest Amount payable on the Notes on the Interest Payment Date next succeeding the date on which such adjustment or substitute index becomes effective shall be increased or reduced to reflect the amount by which such provisional payment fell short of, or (as the case may be) exceeded, the sum which would have been payable on the Notes if such adjustment or substituted index had been in effect on that date; or
- (b) in the case of a payment of principal or interest on redemption in full of the Notes, no subsequent adjustment to amounts paid will be made.

- (D) The 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).
- (E) The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Trustee and, in the case of Index-Linked Notes which are Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) or as determined by the Expert pursuant to the foregoing paragraphs or pursuant to Condition 7(d)(iii), 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 Issuer and the Trustee agree are as 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 relevant Financial Guarantor, the 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.

7 Redemption, Purchase and Options

(a) Redemption by Instalments and Final Redemption:

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 7 (*Redemption, Purchase and Options*), each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon (subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 6 (*Indexation*)). The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount (subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 6 (*Indexation*))) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount (subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 6 (*Indexation*)).

(b) Early Redemption:

- (i) Zero Coupon Notes:
 - (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 7(c) (*Redemption for Taxation Reasons*) below or upon it becoming due and payable as provided in Condition 11 (*Events of Default*) shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
 - (B) Subject to the provisions of paragraph (C) below, the amortised face amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually (the “**Amortised Face Amount**”).
 - (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 7(c) (*Redemption for Taxation Reasons*) or upon it

becoming due and payable as provided in Condition 11 (*Events of Default*) is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 7(c) (*Redemption for Taxation Reasons*) below or upon it becoming due and payable as provided in Condition 11 (*Events of Default*), shall be the Final Redemption Amount (subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 6 (*Indexation*)) unless otherwise specified hereon.

(c) Redemption for Taxation Reasons:

If, on the occasion of the next payment in respect of the Notes the Issuer is unable to make such payment without having to deduct or withhold Tax and pay additional amounts as described in Condition 9 (*Taxation*), and such requirement to pay such additional amounts arises by reason of a change in the laws of the United Kingdom or any political sub-division of the United Kingdom or taxing authority in the United Kingdom or in the interpretation or application of the laws of the United Kingdom or any political sub-division or taxing authority of the United Kingdom or in any applicable double taxation treaty or convention, which change becomes effective on or after the Issue Date, and such requirement cannot be avoided by the Issuer taking reasonable measures (such measures not involving any material additional payments by, or material expense for, the Issuer), then the Issuer may, in order to avoid the relevant deduction or withholding, arrange for the substitution of a company incorporated in another jurisdiction as principal debtor under the Notes, provided that such substitution is approved by the Trustee and, in respect of Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) and provided further that the Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the Noteholders. Immediately prior to such substitution pursuant to this paragraph, the Issuer shall deliver to the Trustee and, in respect of Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) (i) a certificate signed by two officers or authorised signatories of the Issuer stating that the Issuer is entitled to effect such substitution and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to substitute have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to make such deduction or withholding, and the Trustee shall be entitled to accept the certificate and any legal opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

The approval of the Trustee and the relevant Financial Guarantor to such substitution is conditional only upon (i) the Issuer delivering a certificate signed by two officers or authorised signatories of the Issuer confirming that no Event of Default will occur as a result of giving effect to such substitution, (ii) the relevant Financial Guarantor and the Trustee receiving an indemnity satisfactory to such Financial Guarantor and the Trustee (respectively) in respect of all costs and expenses including for the avoidance of doubt any stamp tax, documentary tax and legal fees which the relevant Financial Guarantor and/or the Trustee will incur in connection with or as a consequence of such action, (iii) a certificate signed by two officers or authorised signatories confirming that there are sufficient funds available to the Issuer (whether pursuant to any indemnity from or other agreement with any third party or otherwise) to meet all or any costs which will be incurred by the Issuer as a consequence of taking such action, (iv) the Issuer receiving confirmation (and delivering a copy of such confirmation

to the relevant Financial Guarantor and the Trustee) from any Rating Agency (as defined in Condition 20 (*Definitions*)) providing (A) a Shadow Rating (as defined in Condition 20 (*Definitions*)) in relation to the Wrapped Notes affirming that such substitution shall not result in the Shadow Rating of the Wrapped Notes being withdrawn or reduced below Investment Grade or their respective equivalents from time to time) and (B) a rating in relation to the long-term unsecured, unguaranteed and unsubordinated debt obligations of the Issuer confirming that the rating of the proposed transferee following such transfer by the Issuer is at least an Investment Grade rating, (v) the relevant Financial Guarantor's general credit and transaction exposure to the proposed transferee at the time of the substitution being acceptable to the relevant Financial Guarantor (acting reasonably), (vi) the proposed transferee agreeing to be bound by the terms of the Transaction Documents to which the Issuer is a party in substantially the same terms as the Issuer (subject to the consent to such substitution from the Trustee and the relevant Financial Guarantor) and (vii) documentation with respect to such substitution being in form and substance satisfactory to the Trustee and the relevant Financial Guarantor (acting reasonably) including with respect to representations and warranties as to fact, circumstances or laws then subsisting. The Trustee and the relevant Financial Guarantor shall be entitled to accept the certificates and information provided pursuant to this Condition 7(c) (*Redemption for Taxation Reasons*) as sufficient evidence of the satisfaction of the conditions set out above, in which event the substitution shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

If the Issuer is unable to arrange a substitution as described above and, as a result, the requirement to deduct or withhold Tax and pay additional amounts as described in Condition 9 (*Taxation*) is continuing, the Issuer may on any Interest Payment Date or, if so specified on the Note or in the case of any Zero Coupon Note, at any time, redeem Notes of the relevant Series in whole but not in part (i) upon not more than 60 nor fewer than 30 days' prior notice or (ii) upon such shorter notice as is practicable if the notice described in (i) would expire after the next date on which a payment is due on the Notes, each such notice given in accordance with Condition 17 (*Notices*) below (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 7(b) (*Early Redemption*) above) together with, any interest accrued up to the date fixed for redemption, provided, however, that (i) no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due and (ii) at the time such notice of redemption is given, such obligation to pay such additional amounts remains in effect. Immediately prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee and, in respect of Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) (i) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and that the Issuer will have sufficient funds available for making such redemption and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has become or will be obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to rely on such certificate and legal opinion absolutely without liability to any person for so doing.

- (d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not fewer than 15 nor more than 30 days' irrevocable notice to the Noteholders and, in respect of any Wrapped Notes, the relevant Financial Guarantor for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes (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 Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount as follows:
- (i) In respect of Fixed Rate Notes, the Optional Redemption Amount will, unless otherwise specified in the applicable Final Terms, be an amount equal to the higher of (i) their outstanding nominal amount; and (ii) the price as reported in writing to the Issuer and the Trustee by a financial adviser in London (selected and appointed by the Issuer at its own expense and approved in writing by the Trustee and, in respect of Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to

such Financial Guarantor)) 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 applicable Final Terms for Notes denominated in currencies other than pounds sterling) as the Issuer may, with the advice of three persons operating in the gilt-edged market (selected and appointed by the Issuer at its own expense and approved in writing by the Trustee and, in respect of Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor)) determine to be appropriate, plus interest accrued but unpaid on the outstanding nominal amount to (but excluding) the date fixed for redemption.

For the purposes of this Condition 7(d)(i): “**Gross Redemption Yield**” means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated at page 5 of the United Kingdom Debt Management Office publication “Formulae for Calculating Gilt Prices from Yields” (3rd edition) published on 16 March 2005 (and as further updated, supplemented, amended or replaced from time to time); and “**Reference Date**” means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 7(d) (*Redemption at the Option of the Issuer*); and “**Reference Gilt**” means the Treasury Stock specified in the relevant Final Terms.

- (ii) In respect of Floating Rate Notes, the Optional Redemption Amount will, unless otherwise specified in the applicable Final Terms, be the outstanding nominal amount plus any premium for early redemption in certain years (as specified in the applicable Final Terms), plus interest accrued but unpaid on the outstanding nominal amount to (but excluding) the date fixed for redemption.
- (iii) In respect of Index-Linked Notes, the Optional Redemption Amount will (unless specified in the applicable Final Terms) be the higher of (i) the outstanding nominal amount (subject to any adjustments for indexation in accordance with Condition 6 (*Indexation*)); and (ii) the price as reported in writing to the Issuer and the Trustee (without any additional indexation beyond the implicit indexation in such determined price) by a financial adviser in London (selected and appointed by the Issuer at its own expense and approved in writing by the Trustee and, in respect of Guaranteed Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor)) as being the price at which the Gross Real Redemption Yield (as defined below) on such 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 and appointed by the Issuer at its own expense and approved by the Trustee and, in respect of Guaranteed Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor)), determine to be appropriate, plus interest (as adjusted in accordance with Condition 6(b) (*Applications of the Index Ratio*)) accrued but unpaid on the outstanding nominal amount to (but excluding) the date fixed for redemption.

For the purposes of this Condition 7(d)(iii), “**Gross Real Redemption Yield**” means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated at page 5 of the United Kingdom Debt Management Office publication “Formulae for Calculating Gilt Prices from Yields” (3rd edition) published on 16 March 2005; and “**Reference Date**” means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 7(d) (*Redemption at the Option of the Issuer*).

Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 7 (*Redemption, Purchase and Option*).

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders:**

(i) Upon the occurrence of a Restructuring Event (as defined below) Noteholders may put their Notes to the Issuer in accordance with paragraph (ii) below if:

(A) a Rating Downgrade in respect of such Restructuring Event occurs; and

(B) an Independent Financial Adviser has certified in writing to the Trustee that such Restructuring Event is, in its opinion, materially prejudicial to the interests of Noteholders (a “**Negative Certification**”),

provided that prior to any Negative Certification being issued, an event shall be deemed not to be a Restructuring Event if, notwithstanding the occurrence of a Rating Downgrade, the rating for the time being assigned to the Unwrapped Notes and the Shadow Rating assigned for the time being to any Tranche of Wrapped Notes by any Rating Agency is subsequently increased to, or, as the case may be, there is assigned to the Unwrapped Notes or the Shadow Rating of any Tranche of Wrapped Notes or any other unsecured, unguaranteed and unsubordinated debt obligation of the Guarantor having an initial maturity of five years or more by any Rating Agency, an investment grade rating (BBB-/Baa3 or their respective equivalents for the time being) or better.

Any Negative Certification shall, in the absence of any manifest error, be conclusive and binding on the Trustee, the Issuer, the Guarantor, the relevant Financial Guarantor and the Noteholders and the Trustee shall be entitled to accept the Negative Certification as sufficient evidence of the satisfaction of the conditions precedent set out in (A) and (B) above.

(ii) If the conditions in paragraph (i) above are met, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not fewer than 15 nor more than 30 days’ notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (“**Exercise Notice**”) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(iii) In these conditions:

“**Independent Financial Adviser**” means a financial adviser appointed by the Issuer and the Guarantor (at the expense of the Issuer) and approved by the Trustee and (in the case of Wrapped Notes) the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) (such approval not to be unreasonably withheld or delayed) or, if the Issuer and the Guarantor shall not have appointed such an adviser within 21 days after becoming aware of the occurrence of a Restructuring Event and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction, appointed by the Trustee following consultation with the Issuer and the Guarantor and (in the case of Wrapped Notes) the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor).

A “**Rating Downgrade**” shall be deemed to have occurred in respect of a Restructuring Event if, within 60 days of the occurrence of a Restructuring Event, the rating assigned to the long-

term unsecured, unguaranteed and unsubordinated debt obligations of the Guarantor or the Shadow Rating assigned to the Wrapped Notes for the time being by any Rating Agency (whether provided by a Rating Agency at the invitation of the Guarantor or at its own volition) immediately prior to the announcement of such Restructuring Event is withdrawn or reduced from an Investment Grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or, if the rating assigned to the long-term unsecured, unguaranteed and unsubordinated debt obligations of the Guarantor or the Shadow Rating assigned to the Wrapped Notes for the time being by any Rating Agency immediately prior to such Restructuring Event is below Investment Grade (as described above), the rating is lowered one full rating notch (from BB+/Ba1 to BB/Ba2 or such similar lowering) and, in either case, if the Rating Agency making the Rating Downgrade announces or publicly confirms, or informs (in the case of Unwrapped Notes and following a Financial Guarantor Termination Event, in the case of Wrapped Notes) the Trustee and (in the case of Wrapped Notes) the Trustee and the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) in writing, that the Rating Downgrade was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of the applicable Restructuring Event.

“**Restructuring Event**” means the occurrence of any of the following events:

- (A) (i) the Regulator (or any successor) giving the Guarantor written notice of any revocation of the Licence or (ii) the Guarantor or any subsidiary agreeing in writing with the Regulator (or any successor) to any revocation or surrender of its Licence or (iii) any legislation (whether primary or subordinate) is enacted terminating or revoking the Licence of the Guarantor, except in any such case in circumstances where a licence or licences on substantially no less favourable terms is or are granted to the Guarantor or a wholly-owned subsidiary of the Guarantor and in the case of such relevant subsidiary at the time of such grant it either executes in favour of the Trustee an unconditional and irrevocable guarantee in respect of the Notes in such form as the Trustee may approve (such approval not to be unreasonably withheld or delayed having regard to the interests of the Noteholders) or becomes the primary obligor under the Notes; or
- (B) any material rights, benefits or obligations of the Guarantor as an electricity distribution network operator under the Licence or any material terms of the Licence are modified (whether not with the consent of the Guarantor and whether pursuant to the Electricity Act 1989 (as amended) or otherwise but excluding an adjustment to prices) or any other material consents, licences or authorisations are revoked unless two directors of the Guarantor have certified in writing and in good faith to the Trustee that: (i) the modified terms and conditions would not have a material adverse effect on the Guarantor; or (ii) any such revocation would not have a material adverse effect on the Guarantor; or
- (C) any legislation (whether primary or subordinate) is enacted removing, reducing or qualifying in any material way the duties or powers of the Secretary of State (or any successor) and/or the Regulator (or any successor) (including without limitation any such legislation removing, reducing or qualifying such duties or powers under or pursuant to Section 15 of the Electricity Act 1989 (as amended)) unless two directors of the Guarantor have certified in good faith to the Trustee that such removal, reduction or qualification of any such duties or powers would not have a material adverse effect on the Guarantor.

(f) **Redemption for Index Reasons:**

- (i) If, within 30 days of its appointment (or such longer period as the Trustee may consider reasonable, provided that the Trustee shall not be under any obligation to monitor such period), the Expert fails, or states in writing to the Issuer, the Trustee and, in the case of Index-Linked Notes which are Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) that it is unable to determine for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments) which would leave the Noteholders and, in the case of

Index-Linked Notes which are Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) in no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made, the Issuer shall, within 30 days after the expiry of such period or (as the case may be) after the date of such statement, give not more than 60, nor fewer than 30 days' notice to the holders of the Notes in accordance with Condition 17 (*Notices*) (which shall be irrevocable) to redeem all (but not some only) of the Notes at their Final Redemption Amount, together with interest accrued up to and including the date of redemption (and for the purposes of calculating such Final Redemption Amount and accrued interest, the Index shall be the Index last published).

- (ii) If, within 30 days of its appointment (or such longer period as the Trustee may consider reasonable, provided that the Trustee shall not be under any obligation to monitor such period), the Expert states in writing to the Issuer, the Trustee and, in the case of Index-Linked Notes which are Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) that it is able to determine for the purposes of the Notes one or more adjustments to the Index or (as the case may be) a substitute index (with or without adjustments) which would leave the Noteholders and, in the case of Index-Linked Notes which are Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) in no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made, but the Expert is unable to confirm that such adjustment or adjustments to the Index or (as the case may be) such substitute index (with or without adjustments) would leave the Issuer in no worse position than it would have been had the Index not ceased to be published or the relevant fundamental change not been made, the Issuer may, within 60 days after the date of such statement, give not more than 60, nor fewer than 30 days' notice to the holders to the Notes in accordance with Condition 17 (*Notices*) (which shall be irrevocable) to redeem all (but not some only) of the Notes at their Final Redemption Amount, together with interest accrued up to and including the date of redemption (and for the purposes of calculating such Final Redemption Amount and accrued interest, the Index shall be the Index last published).
 - (iii) If the Issuer does not exercise its right to redeem the Notes in accordance with Condition 7(f)(ii) above, the Index shall be adjusted or replaced by a substitute index as determined by the Expert pursuant to such paragraph and the provisions of Condition 6(c)(iii)(D) shall apply.
- (g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 7 (*Redemption, Purchase and Option*) and the provisions specified hereon.
 - (h) **Purchases:** The Issuer, the Guarantor and any of its subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.
 - (i) **Cancellation:** All Notes purchased by or on behalf of the Issuer, the Guarantor or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Principal Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with 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 and the Guarantor in respect of any such Notes shall be discharged.

8 Payments and Talons

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other

payments of principal and, in the case of interest, as specified in Condition 8(f)(vi)) below or Coupons (in the case of interest, save as specified in Condition 8(f)(ii)) below, as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. “**Bank**” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes:**

(i) Payments of principal (which for the purposes of this Condition 8(b) (*Registered Notes*) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 8(b) (*Registered Notes*) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank 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 holder to the specified office of the Registrar or any Transfer Agent before the 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.

(c) **Payments in the United States:** 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 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 United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to Laws:** All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents:** The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the prior approval of the Trustee and, in the case of Wrapped Notes, the relevant Financial Guarantor (for so long as no Financial Guarantor Termination Event has occurred in relation to such Financial Guarantor) to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Principal Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities, (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, and (vii) 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 any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 8(c) (*Payments in the United States*) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 17 (*Notices*).

- (f) **Unmatured Coupons and Receipts and unexchanged Talons:**
- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index-Linked Notes), such Notes should be surrendered for payment together with all unmaturing Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10 (*Prescription*)).
 - (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index-Linked Note, unmaturing Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iv) Upon the due date for redemption of any Bearer Note that 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.
 - (v) Where any Bearer Note that provides that the relative unmaturing Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmaturing Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
 - (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10 (*Prescription*)).
- (h) **Non-Business Days:** 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 and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” hereon and:
- (i) (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 foreign

exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

- (i) **Currency Indemnity:** The Trust Deed provides that the Issuer shall indemnify the Trustee, any Noteholder or Couponholder in respect of any sum due to it from the Issuer, the Guarantor or any relevant Financial Guarantor for any loss sustained by such recipient if the sum is paid in any currency other than the Specified Currency.

9 Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders, Receiptholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Note, Receipt or Coupon; or
- (b) **Lawful avoidance of withholding:** to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it), Receipt or Coupon is presented for payment; or
- (c) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day; or
- (d) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) **Payment by another Paying Agent:** (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relevant Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 (*Redemption, Purchase and Options*) or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all

other amounts payable pursuant to Condition 5 (*Interest and Other Calculations*) or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition 9 (*Taxation*) or any undertaking given in addition to or in substitution for it under the Trust Deed.

With respect to any Tranche of Wrapped Notes, any additional amount required to be paid by the Issuer by reason of this Condition 9 (*Taxation*) is not guaranteed by any of the Financial Guarantors under the relevant Financial Guarantee.

10 Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes, Receipts and 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 of them.

11 Events of Default

If any of the following events (“**Events of Default**”) occurs, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to its being indemnified and/or secured and/or prefunded to its satisfaction, give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

- (i) **Note Non-Payment:** default is made for more than 21 days (in the case of interest) or 14 days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes; or
- (ii) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 60 days after notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or
- (iii) **Cross-Default:** (A) any other present or future indebtedness of the Issuer or the Guarantor or any of its Relevant Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual default or event of default (howsoever described) (unless such default or event of default is waived or remedied (to the satisfaction of the Trustee) within 30 Business Days), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or the Guarantor or any of its Relevant Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iii) (*Cross-Default*) have occurred equals or exceeds the greater of £20,000,000 or its equivalent in other currencies (as reasonably determined by the Trustee) and two per cent. of Adjusted Capital and Reserves; or
- (iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or the Guarantor or any of its Subsidiaries and is not discharged or stayed within 90 days; or
- (v) **Insolvency:** any of the Issuer or the Guarantor or any of its Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of its Subsidiaries.

For the purpose of this Condition 11(v) and in relation to the Guarantor only, Section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for “£750” there was substituted “£250,000 (indexed)”;

(vi) **Winding-up:**

(A) in respect of the Issuer, the Guarantor and any of the Subsidiaries of the Guarantor, an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, the Guarantor or any of the Guarantor’s Subsidiaries (as the case may be), or the Issuer, the Guarantor or any of the Guarantor’s Subsidiaries (as the case may be) shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a solvent reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (ii) in the case of a Subsidiary of the Guarantor, whereby the undertaking and assets of the relevant Subsidiary are transferred to or otherwise vested in the Guarantor or another of its Subsidiaries. No Event of Default pursuant to this Condition 11(vi)(A) shall arise in respect of the solvent liquidation of any of the Guarantor's Subsidiaries which is dormant (as defined in Section 1169 of the Companies Act 2006); or

(B) in respect of the Guarantor, an application is made under Section 156 of the Energy Act 2004 and is not dismissed within 60 days or an Energy Administration Order is made by a court under Chapter 3 of Part 3 of the Energy Act 2004;

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

(viii) **Guarantee:** the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect, provided that, for the avoidance of doubt, this provision shall not apply where a substitution of the Guarantor in place of the Issuer occurs; and

(ix) **Gearing Ratio:** The Net Debt to RAV Ratio is equal to or greater than 70 per cent and the Issuer and the Guarantor fail to remedy such breach within 30 days of the notification of such breach to the Trustee pursuant to Condition 4(a)(iii) (*Notification*),

provided that in the case of paragraph (ii) (*Breach of Other Obligations*) above the Trustee shall have certified (and in respect of Wrapped Notes and for so long as no Financial Guarantor Termination Event has occurred in relation to the relevant Financial Guarantor, such Financial Guarantor shall have certified and delivered a copy of such certificate to the Trustee on which certificate the Trustee shall be entitled to rely absolutely without liability) that in its opinion such event is materially prejudicial to the interests of the Noteholders.

12 Meetings of Noteholders, Modification, Waiver and Substitution

(a) **Entrenched Rights of Financial Guarantors:** This Condition 12(a) (*Entrenched rights of Financial Guarantors*) is applicable only in relation to Notes which are specified as being a Tranche of Wrapped Notes. In respect of any Tranche of Wrapped Notes, for so long as no Financial Guarantor Termination Event has occurred with respect to the relevant Financial Guarantor, the consent of the relevant Financial Guarantor will be required for any of the following matters:

(i) the execution and delivery of any waiver, amendment, supplement or change to, or modification of, the relevant Tranche of Wrapped Notes (and the Receipts and the Coupons relating thereto) or any of the provisions of the Trust Deed, the Agency Agreement, the Financial Guarantees and any other document relating to the relevant Tranche of Wrapped Notes (to the extent that such waiver, amendment, supplement, change, or modification would not constitute a Wrapped Noteholder Reserved Matter);

- (ii) the delivery of any notice of default, the acceleration and enforcement of the relevant Tranche of Wrapped Notes or the taking of any steps to enforce the security (if any) which may be granted by the Issuer and/or the Guarantor;
- (iii) the termination of the appointment of any Trustee or Paying Agent and the appointment of any additional or successor Trustee and/or Paying Agent (such consent not to be unreasonably withheld or delayed); and
- (iv) any action, waiver, consent, approval, matter or thing not covered by (i) to (iii) above which would otherwise require the consent or sanction of the relevant Wrapped Noteholder whether by way of Extraordinary Resolution or otherwise (other than any Wrapped Noteholder Reserved Matter).

“**Wrapped Noteholder Reserved Matter**” means any of the following:

- (A) any modification of the obligations, rights or liabilities of any of the Financial Guarantors set forth in, or waiver or authorisation of any breach or proposed breach by any of the Financial Guarantors of, any provision of the Trust Deed applicable to any of the Financial Guarantors, any Financial Guarantee, any Guarantee and Reimbursement Agreement or any other Transaction Document to which any of the Financial Guarantors is or will be a party and which is applicable to any of the Financial Guarantors;
 - (B) the release or termination of any Financial Guarantee (other than pursuant to the Trust Deed or the relevant Financial Guarantee) or the substitution of another entity in place of the relevant Financial Guarantor as financial guarantor thereunder (other than in accordance with the Trust Deed, the relevant Financial Guarantee and the relevant Guarantee and Reimbursement Agreement);
 - (C) any modification of, or waiver or authorisation of any breach or proposed breach by any of the Financial Guarantors of, any provision in any Transaction Document the effect of which would result in (A) the obligations or liabilities of any of the Financial Guarantors under a Financial Guarantee being in any way modified, waived, authorised, reduced, altered or varied or (B) the rights of any of the Financial Guarantors under a Financial Guarantee being in any way modified, improved, altered or varied;
 - (D) any determination contemplated or required under the Trust Deed as to the occurrence or otherwise of a Financial Guarantor Event of Default and/or a Financial Guarantor Termination Event;
 - (E) any claim under, or enforcement against a Financial Guarantor of any provision of, any Financial Guarantee or any other provision applicable to a Financial Guarantor under any other Transaction Document;
 - (F) any modification set out in paragraph (b) (*Meetings of Noteholders*) below; and
 - (G) any modification in the definition of “Wrapped Noteholder Reserved Matter”.
- (b) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is

shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than three-quarters in nominal amount of the Notes then outstanding or at any adjourned meeting not less than one-quarter in nominal amount of the Notes then outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

(c) **Voting Rights of Financial Guarantors:**

Subject to paragraph (ii) below and provided that no Financial Guarantor Termination Event has occurred with respect to the relevant Financial Guarantor in respect of any Wrapped Notes:

- (i) the relevant Financial Guarantor shall have the right to request or direct the Trustee and to vote at meetings of the holders of any Tranche of Wrapped Notes having the benefit of a Financial Guarantee provided by it as if it were the holder of 100 per cent. of the then aggregate outstanding nominal amount of such Tranche of Wrapped Notes to the exclusion of any right which the holders of such Tranche of Wrapped Notes would otherwise have to vote or to request or direct the Trustee. For so long as such provisions apply, for the purposes of determining whether or not a request or direction has been given by a holder of not less than the required percentage in aggregate outstanding nominal amount of the relevant Notes or whether any meeting of the Noteholders is quorate and for counting votes cast at any such meeting of the Noteholders, the relevant Financial Guarantor shall be treated as the holder of 100 per cent. of the then aggregate outstanding nominal amount of the relevant Tranche of Wrapped Notes and shall be deemed to be two persons for the purposes of any quorum requirement;
- (ii) where a separate meeting of the holders of any Tranche of Wrapped Notes would otherwise be required, the relevant Financial Guarantor shall not be required to attend such meeting but may instead deliver a written resolution to the Trustee voting on each of the items which would otherwise have been included in the relevant notice and no separate meeting of the holders of any Tranche of Wrapped Notes shall be required; and
- (iii) if a meeting of the holders of any Tranche of Wrapped Notes having the benefit of a Financial Guarantee provided by it and one or more other Tranche of Notes has been convened, the relevant Financial Guarantor may attend and vote at such meeting in respect of 100 per cent. of the then aggregate outstanding nominal amount of such Tranche of Wrapped Notes or, not fewer than five Business Days prior to such meeting, give written instructions to the Trustee as to its vote on each of the items to be considered at such meeting.

No Financial Guarantor will be entitled to give requests or directions to the Trustee or to vote at a meeting of the relevant Noteholders to the extent that such request, direction or, as the case may be, vote relates to any Wrapped Noteholder Reserved Matter.

- (d) **Modification of the Trust Deed:** The Trustee may agree, without the consent of the Noteholders or Couponholders, but, in the case of Wrapped Notes, with the consent of the relevant Financial Guarantor (provided that no Financial Guarantor Termination Event in relation to the relevant Financial Guarantor has occurred) to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the relevant Financial Guarantor, the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

- (e) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders (but in the case of Wrapped Notes, subject to any relevant Financial Guarantor's consent provided that no Financial Guarantor Termination Event has occurred in relation to the relevant Financial Guarantor), to the substitution of the Issuer's successor in business or any subsidiary of the Issuer or its successor in business or of the Guarantor or its successor in business or any subsidiary of the Guarantor or its successor in business in place of the Issuer or Guarantor, or of any previous substituted company, as principal debtor or Guarantor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders (but in the case of Wrapped Notes, subject to any relevant Financial Guarantor's consent provided that no Financial Guarantor Termination Event has occurred in relation to the relevant Financial Guarantor), to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.
- (f) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition 12 *Meetings of Noteholders, Modification, Waiver and Substitution*) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

13 Enforcement

At any time after the Notes of any Series become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but the Trustee shall not be bound to take or omit to take any step or action (including such proceedings) unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction in respect of all costs, claims, expenses and liabilities to or for which it may, in its opinion, thereby become liable. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

15 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent in Luxembourg (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

16 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 16 (*Further Issues*) and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

17 Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice 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, as provided above.

A copy of each notice relating to a Tranche of Wrapped Notes given in accordance with this Condition 17 (*Notices*) shall be provided to any relevant Financial Guarantor (prior to the occurrence of a Financial Guarantor Termination Event with respect to such Financial Guarantor).

Couponholders shall 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 (*Notices*).

18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

19 Governing Law and Jurisdiction

- (a) **Governing Law:** The Trust Deed, any Financial Guarantees, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons or the Guarantee (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

20 Definitions

In these conditions, the following words and expressions shall have the following meanings:

“**Adjusted Capital and Reserves**” means at any time a sum equal to the aggregate of:

- (a) the amount paid up or credited as paid up on the issued share capital of the Issuer or the Guarantor (as the case may be) (the “**Relevant Company**”); and

- (b) the amounts standing to the credit of the capital and revenue reserves of the Relevant Company and its Subsidiary Undertakings (including any share premium account and capital redemption reserve) after adding thereto any balance standing to the credit of the profit and loss account;

all based on the consolidated balance sheet of the Relevant Company and its Subsidiary Undertakings as contained in the then latest audited accounts of the Relevant Company but after:

- (i) excluding all sums set aside for taxation (whether in respect of deferred taxation or otherwise);
- (ii) making such adjustments as may be appropriate in respect of any variation in the amount of such share capital or such reserves subsequent to the relevant balance sheet date, and so that for this purpose, share capital allotted shall be deemed to have been issued, and if any issue or proposed issue of shares by the Relevant Company for cash has been underwritten, then such shares shall be deemed to have been issued and the amount (including any premium) of the subscription moneys payable in respect thereof (not being moneys payable later than six months after the date of allotment) shall to the extent so underwritten be deemed to have been paid up on the date when the issue of such shares was underwritten (or, if such underwriting was conditional, on the date when it became unconditional in all respects);
- (iii) making such adjustments as may be appropriate in respect of any distributions declared, recommended or made by the Relevant Company or any of its Subsidiary Undertakings out of profits earned up to and including the date of such balance sheet, to the extent that such distribution is not provided for in such balance sheet;
- (iv) making such adjustments as may be appropriate in respect of any variation in the interests of the Relevant Company in its Subsidiary Undertakings (including, but without limiting the generality of the foregoing, any acquisition of a new Subsidiary Undertaking or disposal of an interest which causes an undertaking to cease to be a Subsidiary Undertaking since the date of such balance sheet);
- (v) if the calculation is required for the purposes of or in connection with a transaction under or in connection with which any company is to become or cease to be a Subsidiary Undertaking of the Relevant Company, making all such adjustments as would be appropriate if such transaction had been carried into effect;
- (vi) excluding all minority interests and other third party interests in a Subsidiary Undertaking of the Relevant Company;
- (vii) deducting any balance to the debit of the profit and loss account;
- (viii) deducting all amounts (if any) attributable to goodwill or any other intangible assets;
- (ix) excluding such part of the interests of the Relevant Company or any of its Subsidiary Undertakings in an associated company, not being a Subsidiary Undertaking of the Relevant Company, as is attributable to any post-acquisition undistributed profits and reserves, but including such interests at original cost or, if lower, book value;
- (x) deducting (if not otherwise excluded) such amount as the Auditors shall consider appropriate in respect of any deferred taxation liabilities on the net amount by which the fixed assets of the Relevant Company and its Subsidiary Undertakings shall have been written up as a result of any revaluation, and for this purpose a transfer of any assets by the Relevant Company to any of its Subsidiary Undertakings, or by any of its Subsidiary Undertakings to the Relevant Company or another of its Subsidiary Undertakings, for a consideration in excess of the book value thereof shall be deemed to be a writing up of the book value of such asset as a result of a revaluation;
- (xi) deducting therefrom all amounts attributable (whether by way of share or loan capital or otherwise) to the interests of the Relevant Company and its Subsidiary Undertakings (other than Excluded Subsidiaries) in Excluded Subsidiaries; and
- (xii) making such other adjustments (if any) as the Auditors may consider appropriate;

and so that no amount shall be included or excluded more than once in the same calculation. A report by the Auditors as to the amount of the Adjusted Capital and Reserves at any given time shall, in the absence of manifest error, be conclusive and binding on all parties.

“**Affiliate**” means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company.

“**Agents**” means the Principal Paying Agent, the Paying Agents, the Calculation Agent, the Registrar and the Transfer Agents or any of them and shall include such other Agent or Agents as may be appointed from time to time hereunder and references to Agents are to them acting solely through their specified offices;

“**Applicable Accounting Principles**” means, in respect of the Issuer, IFRS or in respect of the other members of the ENW Group, IFRS or generally accepted accounting principles in the United Kingdom as applied from time to time.

“**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 other money market funds having the Minimum Short-term Rating.

“**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 ENW Group and to which a member of the ENW Group is alone (or together with other members of the ENW 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 ENW 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 any Permitted Security Interest constituted by a netting or set-off arrangement entered into by members of the ENW Group in the ordinary course of their banking arrangements;
- (d) the cash is freely and immediately available to be applied in repayment or prepayment of the Notes; and
- (e) the cash has not accrued as a result of, nor is attributable to, an Overpayment.

“**Covenant Calculation Date**” means the last day of each financial year and the last day of each financial half-year of ENW.

“**Debt Service Ledger**” means the ledger on the Debt Service Payment Account maintained in accordance with the NWEN Debt Programme 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”, operated and maintained in accordance with the NWEN Debt Programme.

“**ENW Group**” means the Issuer, the Guarantor and each of the Guarantor’s Subsidiaries from time to time.

“**ENW Group Hedging Arrangement**” means the Existing ENW Group Hedging Arrangements and the

New ENW Group Hedging Arrangements. “**Excluded Subsidiary**” for the purposes of the “Adjusted Capital and Reserves” definition, means a Subsidiary of a Relevant Company (i) which is a single purpose company whose principal assets and business are constituted by the ownership, acquisition, development and/or operation of an asset, (ii) none of whose liabilities in respect of the financing of such ownership, acquisition, development and/or operation of an asset is subject to any recourse whatsoever to any member of the ENW Group other than an Excluded Subsidiary, and (iii) which has been designated as such by the Relevant Company by written notice to the Trustee; provided that the Relevant Company may give written notice to the Trustee at any time that any Excluded Subsidiary is no longer an Excluded Subsidiary, whereupon it shall cease to be an Excluded Subsidiary.

“**Event of Default**” means any event of default set out in Condition 11 (*Events of Default*).

“**Existing ENW Group Hedging Arrangements**” means collectively, the hedging agreements set out in the common terms agreement relating to the NWEN Debt Programme, each of which is individually an “**Existing ENW Group Hedging Arrangement**”.

“**Extraordinary Resolution**” means a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority of at least 75 per cent. of the votes cast.

“**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 a Financial Guarantor and the Issuer and Guarantor 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 Event of Default**” has the meaning given to it in the relevant Guarantee and Reimbursement Agreement.

“**Financial Guarantor Termination Event**” means, with respect to any Financial Guarantor: (a) a Financial Guarantor Event of Default has occurred and its continuing with respect to the relevant Financial Guarantor; or (b) such Financial Guarantor has no further obligations, actual or contingent, under any Financial Guarantee and no amount is then owing to such Financial Guarantor under any Guarantee and Reimbursement Agreement; or (c) both of the events set out in (a) and (b) above occur.

“**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 a hedging arrangement, that amount shall be included;
- (g) any counter-indemnity obligations in respect of a guarantee, note, 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 after the date of supply, or 270 days in the case of a purchase of group tax relief for an Affiliate;

- (i) any arrangement pursuant to which an asset sold by a member of the ENW Group or otherwise disposed of by that person may be re-acquired by a member of the ENW 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 are not connected to the Transaction Documents.

“**Guarantee and Reimbursement Agreement**” means in relation to a Tranche of Wrapped Notes, the guarantee and reimbursement agreement entered into between the Issuer and the relevant Financial Guarantor in relation to the relevant Financial Guarantee.

“**Hedging Policy**” means the hedging policy in place under the NWEN Debt Programme.

“**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 and references “**Holding Companies**” shall be construed accordingly .

“**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.

“**Initial Issue Date**” means the date on which the first Tranche of Notes is issued under the Programme.

“**Instalment Amount**” means the amount of an instalment of scheduled principal.

“**Instalment Date**” means the date of the payment of scheduled principal.

“**Investment Grade**” means a rating of at least BBB- by S&P, BBB- by Fitch or Baa3 by Moody’s (or equivalent such ratings by any other internationally recognised credit rating agency).

“**Issuer/ENW Index-Linked Swap**” means the index-linked swap transaction between the Issuer and the Guarantor, entered into pursuant to an ISDA Master Agreement dated on or before the Signing Date.

“**Issuer/ENW Interest Rate Swap**” means the interest rate swap transaction between the Issuer and the Guarantor, entered into pursuant to an ISDA Master Agreement dated on or before the Signing Date.

“**Issuer/ENW Loan Agreement**” means a loan agreement dated on or about the Signing Date entered into between the Issuer and the Guarantor.

“**Issuer/NWEN Loan Agreement**” means a loan agreement dated on or about the Signing Date entered into between the Issuer and NWEN.

“**Licence**” means the Guarantor’s 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.

“**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 Moody’s, “A2”; in the case of S&P, “A”; and, in the case of Fitch, “A”, or their equivalents from time to time.

“**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 Moody’s, “Prime-1”; in the case of S&P, “A-1”; and, in the case of Fitch, “F1” or their equivalents from time to time.

“**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 ENW Group (on a consolidated basis) in respect of 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) including, in the case of finance leases only, the capitalised value thereof; and
- (c) including any accretion portion of any Financial Indebtedness which is indexed and any indexed-linked ENW Group Hedging Arrangements,

less Cash of the ENW Group and Authorised Investments of the ENW 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.

“**New ENW Group Hedging Arrangement**” means any Treasury Transaction entered into by ENW or the Issuer on or after the Signing Date in accordance with the Hedging Policy, and references to “**New ENW Group Hedging Arrangements**” shall be construed accordingly.

“**NWEN**” means the parent company of the Guarantor, North West Electricity Networks Limited, a company incorporated in England and Wales with limited liability (registration number 6428375).

“**NWEN Debt Programme**” means the debt programme in respect of the NWEN Issuer, guaranteed by NWEN and SPV HoldCo, as described in the prospectus dated on or about 16 July 2009.

“**NWEN Determination Date**” means a “Determination Date” as defined for the purposes of the NWEN Debt Programme.

“**NWEN/ENW Loan Agreement**” means a loan agreement dated on or about the Signing Date entered into between NWEN and the Guarantor in connection with the NWEN Debt Programme.

“**NWEN Issuer**” means ENW Capital Finance plc, a public company incorporated in England and Wales with limited liability (registration number 06873051).

“**NWEN Payment Date**” means a “Payment Date” as defined for the purposes of the NWEN Debt Programme.

“**NWEN Payment Priorities**” means the priority of payments applicable on each NWEN Payment Date under the NWEN Debt Programme.

“**Officers’ Certificates**” means the certificates delivered by the Issuer and the Guarantor to the Trustee from time to time in accordance with the Trust Deed.

“**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.

“**Periodic Review**” means any review of electricity distribution price controls conducted by the Regulator from time to time.

“**Permitted Security Interest**” means:

- (a) a Security Interest comprising a netting or set-off arrangement entered into by a member of the ENW Group in the ordinary course of its banking arrangements;
- (b) 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;
- (c) 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 ENW Group in good faith and with a reasonable prospect of success;

- (d) 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 ENW Group by appropriate procedures and with a reasonable prospect of success;
- (e) any Security Interest comprising a netting or set-off arrangement entered into under any ENW Group Hedging Arrangement 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 ENW Group Hedging Arrangement in respect of cash collateral or any other Security Interest except as otherwise permitted hereunder);
- (f) 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 ENW Group becoming aware that the amount owing in respect of such lien has become due;
- (g) 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;
- (h) 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 ENW Group; and
 - (iii) such Security Interest is removed or discharged within six months of the date of acquisition of such asset;
- (i) 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;
- (j) 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;
- (k) a right of set-off existing in the ordinary course of trading activities between ENW and its suppliers or customers;
- (l) a lien arising under statute or by operation of law (or by agreement having substantially the same effect) and in the ordinary course of business provided that such lien is discharged within 30 days of any member of the ENW Group becoming aware that the amount owing in respect of such lien has become due;
- (m) a Security Interest arising on rental deposits in connection with the occupation of leasehold premises in the ordinary course of business;
- (n) any retention of title arrangements entered into by ENW in the ordinary course of business;
- (o) 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);
- (p) any netting/set-off arrangements in the ordinary course of banking arrangements for netting debit and credit balances of ENW and its Subsidiaries; or
- (q) any performance bonds entered into on 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.

“**Potential Event of Default**” means any event, 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 the relevant determination is provided for in the terms of such Event of Default, assuming no intervening remedy) would constitute an Event of Default.

“**Programme**” means the £1,000,000,000 guaranteed note programme established by the Issuer admitted to the Official List and to the London Stock Exchange as described in this Prospectus.

“**Programme Date**” means 21 July 2009.

“**Rate Multiplier**” has the meaning given to it in the relevant Final Terms.

“**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.

“**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.

“**Receipt**” means a receipt attached on issue to a Definitive Note redeemable in instalments for the payment of an instalment of principal such receipt being in the form or substantially in the form set out in Part F (Form of Receipt) of schedule 2 (Forms of Global and Definitive Notes, Receipts, Coupons and Talons) to the Trust Deed or in such other form as may be agreed between the Issuer, the Principal Paying Agent, the Trustee and the relevant Dealer(s) and includes any replacements for Receipts or Talons issued pursuant to Condition 15 (*Replacement of Notes, Coupons, Receipts and Talons*);

“**Receptholders**” means the persons who are for the time being holders of the Receipts.

“**Regulator**” means the Gas and Electricity Markets Authority (“**GEMA**”) operating through the Office of Gas and Electricity Markets (“**Ofgem**”) and any successors thereto.

“**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.

“**Relevant Subsidiary**” means a Subsidiary of the Guarantor (a) in respect of which the Guarantor holds a majority of the voting shares in that Subsidiary, (b) in respect of which the Guarantor has the right to appoint or remove a majority of its board of directors and (c) carries on the Distribution Business or a De Minimis Business (each as defined in the Licence).

“**Required NWEN Debt Service Amount**” means, in respect of a period from and excluding one NWEN Determination Date to and including the next following NWEN Determination Date under the NWEN Debt Programme, an aggregate amount in respect of such period equal to (i) the amount necessary for NWEN to pay the amounts due and payable under items (i) to (xi) of the NWEN Payment Priorities on the NWEN Payment Date next following the NWEN Determination Date at the end of such period, less (ii) the aggregate of (a) the amount payable under the NWEN/ENW Loan Agreement on such NWEN Payment Date, (b) any funds standing to the credit of NWEN’s Debt Service Payment Account at such time and (c) the nominal amount of Authorised Investments held by NWEN, the NWEN Issuer or SPV Holdco at such time..

“**Restricted Payments**” means 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) (in cash or in kind) to any direct or indirect Affiliate of ENW, 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 Transaction Documents, (ii) any payments due under the NWEN/ENW Loan Agreement and for the avoidance of doubt, any payments due under the Issuer/ENW Loan Agreement or any Issuer Hedging Agreement, or (iii) any payments by ENW for group relief surrendered to it provided that, if the Restricted Payment Conditions are not satisfied at such time, the amount 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).

“**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 Trustee may reasonably direct.

“**Security Interest**” means any lien, mortgage, pledge, charge, hypothecation or other encumbrance or arrangement having the effect of giving security.

“**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.

“**SPV HoldCo**” means NWEN Group Limited, a company incorporated in England and Wales with limited liability (registration number 06872880).

“**Subsidiary**” means a company in which another company:

- (a) holds a majority of the voting rights; or
- (b) is a member and has the right to appoint or remove a majority of its board of directors; or
- (c) is a member and controls alone pursuant to an agreement with other shareholders or members, a majority of voting rights in it; or
- (d) a company which is a Subsidiary of a company which is itself a Subsidiary of that other company.

“**Subsidiary Undertaking**” has the meaning ascribed thereto in Section 1162 of the Companies Act 2006 (but, in relation to the Relevant Company shall exclude any Subsidiary Undertaking whose accounts are not included in the then latest accounts, or (in the case of a Subsidiary Undertaking which has first become a Subsidiary Undertaking of a member of the ENW Group since the date as at which such accounts were prepared) would not have been so included or consolidated if it had become so on or before that date).

“**Transaction Documents**” means all documents relating to the Programme including, *inter alia*:

- (a) the Trust Deed;
- (b) any Notes issued under the Programme (including the applicable Final Terms);
- (c) each agreement documenting a general corporate facility granted to ENW or any member of the ENW Group in connection with the Programme on or after the Signing Date;
- (d) each agreement documenting a New ENW Group Hedging Arrangement;
- (e) each Financial Guarantee;
- (f) each Guarantee and Reimbursement Agreement;
- (g) each Financial Guarantee Fee Letter;
- (h) the Agency Agreement;
- (i) the Issuer/ENW Loan Agreement;
- (j) the Issuer/ENW Index-Linked Swap;
- (k) the Issuer/ENW Interest Rate Swap;
- (l) the Issuer/NWEN Loan Agreement; and

- (m) the Dealership Agreement and any calculation agency agreement and subscription agreement entered into pursuant to it.

“**Treasury Transaction**” means any currency or interest rate purchase, cap or collar agreement, forward rate agreements, interest rate or currency or future or option contract, foreign exchange or currency purchase or sales agreement, interest rate swap, index-linked swap, currency swap or combined interest rate and currency swap agreement and any other similar agreement or any derivative transaction; and

“**Trust Deed**” means the trust deed dated on or about the Signing Date and entered into between the Issuer, the Guarantor and the Trustee, under which the Notes are constituted.

CHAPTER 9 FORMS OF THE NOTES

Initial Issue of Notes

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, the Global Notes will be delivered on or prior to the original issue date of the Tranche 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.

Global Notes which are issued in CGN form and Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a Common Depository or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is a 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.

Notes that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other Clearing Systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other Clearing Systems. Conversely, Notes that are initially deposited with any other Clearing System may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other Clearing Systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system (“**Alternative Clearing System**”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Exchange

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (a) if the relevant Final Terms indicates that such Global Note is issued in compliance with the TEFRA C Rules or in a transaction to which TEFRA is not applicable, in whole, but not in part, for the Definitive Notes defined and described below; and
- (b) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under the section below entitled “*Permanent Global Certificates*”, in part for Definitive Notes or, in the case of the section below entitled “*Permanent Global Certificates*”, Registered Notes:

- (a) if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Principal Paying Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; and
- (b) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Permanent Global Certificates

If the Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a Clearing System whilst they are held on behalf of such Clearing System, but will limit the circumstances in which the Notes may be withdrawn from the relevant Clearing System.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) (*Transfer of Registered Notes*) may only be made in part:

- (a) if the relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (b) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (a) or (b) above, the registered holder has given the Registrar not less than 30 days’ notice at its specified office of the registered holder’s intention to effect such transfer.

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a Clearing System and the rules of that Clearing System permit, such permanent Global Note will be exchangeable in part on one or more occasions (i) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (ii) for Definitive Notes (a) if principal in respect of any Notes is not paid when due or (b) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

Delivery of Notes

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Principal Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be or if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant Clearing System. In this Prospectus, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the city in which the relevant Clearing System is located.

Amendment to Conditions

The temporary Global Notes and permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the TEFRA D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 9(e) (*Payment by another Paying Agent*) will apply to the Definitive Notes only. If the Global Note is a NGN, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant Clearing System and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant Clearing System and represented by the Global Note will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Issuer’s obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9 (*Taxation*)).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) 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 permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Guarantor or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a Clearing System in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Principal Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Principal Paying Agent, for notation. Where the Global Note is a NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant Clearing System and the nominal amount of the Notes recorded in those records will be reduced accordingly.

NGN nominal amount

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant Clearing Systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a Clearing System, the Trustee may have regard to any

information provided to it by such Clearing System or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

Events of Default

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 11 (*Events of Default*) by stating in the notice to the Principal Paying Agent the nominal amount of such Global Note that is becoming due and repayable.

Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a Clearing System, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that Clearing System for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note. Such notices shall be deemed to have been received by the Noteholders on the day of delivery to such Clearing System.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

CHAPTER 10
PRO FORMA FINAL TERMS

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

Final Terms dated [●]

ENW Finance plc

Issue of [●] [Wrapped/Unwrapped] Notes

Guaranteed by **Electricity North West Limited**

[Unconditionally and irrevocably guaranteed as to scheduled payments of principal and interest pursuant to a financial guarantee issued by [Name of Financial Guarantor]]

under the **£[●] 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 16 July 2009 which constitutes 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, the Guarantor[, the Financial Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing at [website] and during normal business hours at [address].

[The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes may include bearer notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or, in the case of bearer Notes, delivered within the United States.

The Notes are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Prospectus and Final Terms see Chapter 13 “*Subscription and Sale*” and “*Transfer Restrictions*”.

The Notes and the Guarantee have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. Regulatory Authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or the adequacy of this Prospectus and Final Terms. Any representation to the contrary is a criminal offence in the United States].

- | | | |
|---|-----------------------------------|---|
| 1 | [(i)] Issuer: | ENW Finance plc |
| | [(ii)] Guarantor: | Electricity North West Limited |
| | [[(iii)] Financial Guarantor: | [●] |
| 2 | [(i)] Series Number: | [●] |
| | [(ii)] Tranche Number: | [●] |
| | | (if fungible with an Existing Series, details of that Series, including the date on which the Notes became fungible). |
| 3 | Specified Currency or Currencies: | [Sterling, euro or, subject to any applicable legal or regulatory restrictions, any other currency agreed between |

the Issuer and the relevant Dealer(s). The applicable Final Terms may provide that certain Notes may be redenominated in euro.]

4	Aggregate Nominal Amount of Notes:	[●]
	[(i)] Series:	[●]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount
6	(i) Specified Denominations:	€50,000 (the minimum denomination) and amounts in excess thereof which are integral multiples of €1,000 up to and including €99,000. No notes in definitive form will be issued with a denomination above €99,000. [Note - in relation to any issue of notes which are either Temporary Global Note exchangeable for Definitive Notes or 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.]
	(ii) Calculation Amount:	[€1,000]
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[Specify/Issue Date/N/A]
8	Maturity Date:	[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
9	Interest Basis:	[[●] per cent. Fixed Rate] [[specify reference rate] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index-Linked Interest] [Other (specify)] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Index-Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No.809/2004 will apply and the Issuer will prepare and publish a supplement to the Prospectus.)]
11	Change of Interest or Redemption/Payment Basis:	[Specify details of any provision for convertibility of Notes Payment into another interest or redemption/ payment basis]
12	Put/Call Options:	[Issuer Call] [Investor Put] [further particulars specified below]

- 13 [(i)] Status of the Notes: Unsubordinated
 [(ii)] Status of the Guarantee: Unsubordinated
 [(iii)] [Date] [Board] approval for issuance of Notes [and Guarantee] obtained: [●] [and [●], respectively]
- (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*
- 14 Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 15 Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (vi) [Determination Dates: [●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]
- 16 Floating Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) First Interest Payment Date: [●]
- (iv) Interest Period Date: [●]
 (Not applicable unless different from Interest Payment Date)
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (vi) Business Centre(s): [London and TARGET]
- (vii) Manner in which the Rate(s) of Interest is/are to be [Screen Rate Determination/ISDA Determination/other (*give details*)]

	determined:	
	(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[•]
	(ix) Screen Rate Determination:	
	– Reference Rate:	[•]
	– Interest Determination Date(s):	[•]
	– Relevant Screen Page:	[•]
	(x) ISDA Determination:	[•]
	– Floating Rate Option:	[•]
	– Designated Maturity:	[•]
	– Reset Date:	[•]
	– [ISDA Definitions:	2006]
	(xi) Margin(s):	[+/-][•] per cent. per annum
	(xii) Minimum Rate of Interest:	[•] per cent. per annum
	(xiii) Maximum Rate of Interest:	[•] per cent. per annum
	(xiv) Day Count Fraction:	[•]
	(xv) Rate Multiplier:	[•]
	(xvi) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]
17	Zero Coupon Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Amortisation Yield:	[•] per cent. per annum
	(ii) Any other formula/basis of determining amount payable:	[as agreed between the Issuer and the Dealer]
18	Index-Linked Interest Note/other variable-linked interest Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Index/Formula/other variable:	UK Retail Price Index (or such other index and/or formula as the Issuer and Dealer may agree)
	(ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[•]
	(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[•]

	(iv) Interest Determination Date(s):	[•]
	(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[•]
	(vi) Interest Period(s):	[•]
	(vii) Specified Interest Payment Dates:	[•]
	(viii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (<i>give details</i>)]
	(ix) Business Centre(s):	[London and TARGET]
	(x) Minimum Rate of Interest:	[•] per cent. per annum
	(xi) Maximum Rate of Interest:	[•] per cent. per annum
	(xii) Day Count Fraction:	[•]
19	Dual Currency Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[as agreed between the Issuer and the Dealer]
	(ii) Party, if any, responsible for calculating the principal and/or interest due (if not the [Agent]):	[•]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[•]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[•]

PROVISIONS RELATING TO REDEMPTION

20	Call Option:	Applicable//Not Applicable <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[•] per Calculation Amount
	(b) Maximum Redemption Amount:	[•] per Calculation Amount

	(iv) Notice period:	[30-60 days]
	(v) Reference Gilt:	[specify/Not Applicable]
21	Put Option:	Applicable/Not Applicable <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii) Notice period:	[•]
22	Final Redemption Amount of each Note:	[•] per Calculation Amount [If the Final Redemption Amount is linked to an underlying reference or security, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the Requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply and the Issuer will prepare and publish a supplement to the Prospectus which shall constitute a supplementary prospectus pursuant to Prospectus Rule 3-4 and Section 87G of the FSMA.]
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	
	(i) Index/Formula/variable:	[give or annex details]
	(ii) Party responsible for calculating the Final Redemption Amount (if not the [Agent]):	[•]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[•]
	(iv) Determination Date(s):	[•]
	(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[•]
	(vi) Payment Date:	[•]
	(vii) Minimum Final Redemption Amount:	[•]
	(viii) Maximum Final Redemption Amount:	[•] per Calculation Amount
23	Early Redemption Amount: Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default 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

24	Form of Notes:	<p>Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]</p> <p>[Temporary Global Note exchangeable for Definitive Notes]</p> <p>[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]</p>
25	New Global Note:	[Yes]/[No]
26	Financial Centre(s) or other special provisions relating to payment dates:	[London/give details. Note that this paragraph relates to the date and place of payment and not interest period end dates, to which sub paragraphs 15(ii), 16(v) and 18(ix) relate.]
27	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No If yes, give details]
28	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not applicable/give details]
29	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/give details]
30	Redenomination, renominatisation and reconventioning provisions:	[Not Applicable/ The [provisions in [Condition ●] apply]
31	Consolidation provisions:	[Not Applicable/The [provisions in [Condition ●] apply]
32	Other final terms:	[Not Applicable/give details] <i>(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.)</i>

DISTRIBUTION

33	(i) If syndicated, names of Managers:	[Not Applicable/give names]
	(ii) Stabilising Manager(s) (if any):	[Not Applicable/give name]
34	If non-syndicated, name of Dealer:	[Not Applicable/give name]

35 U.S. Selling Restrictions: Reg. S Compliance Category [1]; TEFRA C/TEFRA D
36 Additional selling restrictions: [Not Applicable/*give details*]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange of the Notes described herein pursuant to the [*insert Programme Amount*] Note Programme of ENW Finance plc.

RESPONSIBILITY

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

Signed on behalf of ENW Finance plc:

By:
Duly authorised

Signed on behalf of Electricity North West Limited:

By:
Duly authorised

PART B – OTHER INFORMATION

1 LISTING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market] with effect from [●].] [Not Applicable.]
(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)
- (ii) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

- Ratings: The Notes to be issued have been rated:
S&P: [●]
Moody's: [●]
Fitch: [●]
(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

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

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

[“Save as discussed in [Chapter 13 “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.)]

4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i) Reasons for the offer: [●]
[(See [“Use of Proceeds”] wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]
- [(ii) Estimated net proceeds: [●]
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)
- [(iii) Estimated total expenses: [●]
[(If the Notes are derivative securities for which Annex XII of the Prospectus Directive Regulation applies it is] only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]

5 Fixed Rate Notes only – YIELD

- Indication of yield: [●]

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

6 **Index-Linked or other variable-linked Notes only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

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

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

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].

7 **Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE**

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

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

8 **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 number(s) [and address(es)]]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): [•]

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 recognized 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 European Central Bank 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]

CHAPTER 11
USE OF PROCEEDS

The Issuer will on-lend the net proceeds of each Series issued from time to time to ENW pursuant to the Issuer/ENW Loan Agreement (less the retention of £10,000 in each financial year of the Issuer, representing the Issuer's annual profit element). ENW will use the proceeds for its general corporate purposes.

CHAPTER 12 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 advisors. 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. HM Revenue & Customs 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 of the 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 or the Guarantor (as the case may be) will pay such additional amounts as will result (after deduction or withholding) in receipt by the holders of Notes, Receipts or Coupons of the amounts which would otherwise have been receivable (in the absence of such deduction or withholding).

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 HM Revenue & Customs 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

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) 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 may not be eligible for any of the other exemptions described in Chapter 12 (*United Kingdom Taxation*) under “*UK Withholding Tax on UK source interest*”. If UK withholding tax is imposed, the relevant Financial Guarantor shall account to HM Revenue & Customs 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, such Financial Guarantor will not be obliged to pay any additional amounts in respect of the Notes.

Payments by the Guarantor under the Guarantee

If the Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for such Notes) 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 the Guarantor may not be eligible for any of the other exemptions described in Chapter 12 (*United Kingdom Taxation*) under “*UK Withholding Tax on UK source interest*” above. If UK withholding tax is imposed, (a) the Guarantor shall account to HM Revenue & Customs for the amount so required to be withheld or deducted, and (b) the Guarantor shall, to the extent permitted by law, pay such amounts for the account of each Noteholder, Receiptholder or Couponholder in respect of payments to whom a withholding or deduction has been made as may be necessary to ensure that the net amounts receivable by such Noteholder, Receiptholder or Couponholder after such withholding or deduction shall equal the amounts which would have been received by such Noteholder, Receiptholder or Couponholder from the Guarantor under the Guarantee in the absence of such withholding or deduction.

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 Chapter 12 (*United Kingdom Taxation*) under “*UK Withholding Tax on UK source interest*”, but may be subject to reporting requirements as outlined in Chapter 12 (*United Kingdom Taxation*) under “*Provision of Information by UK Paying and Collecting Agents*”.

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 terms and 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 12(e) (*Substitution*) of the Terms and 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 13

SUBSCRIPTION AND SALE

Dealership Agreement

Notes may be sold from time to time by the Issuer to HSBC Bank plc and the other 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, the Guarantor, 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 Issuer and the Guarantor 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, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this 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 FSMA by the Issuer;
- (b) **Financial Promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; or the Guarantor and
- (c) **General Compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

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 Guarantor 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.

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 14 GENERAL INFORMATION

Authorisation

The establishment of the Programme, the issue of Notes thereunder and the entry into of the Transaction 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 Guarantee by ENW and its entry into the Transaction Documents to which it is a party has been duly authorised by a resolution of the board of directors of ENW 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 ENW;
- (ii) the audited financial statements of ENW for the years ended 31 March 2008 and 31 March 2009;
- (iii) a copy of this Prospectus;
- (iv) 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);
- (v) each Financial Guarantee and all related endorsements relating to each Sub-Class of Wrapped Notes issued under the Programme and the associated Guarantee and Reimbursement Agreement;
- (vi) the Notes issued under the Programme;
- (vii) the Agency Agreement; and
- (viii) the Trust Deed.

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 ENW since 31 March 2009 and of the Issuer since its date of incorporation.

Litigation

Save as disclosed in Chapter 5 “*ENW Business Description*” under “*Litigation and Regulatory Proceedings*” in respect of ENW, none of ENW, the 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 ENW, the Issuer or any of ENW’s Subsidiaries.

Availability of Financial Statements

The audited annual financial statements of the Issuer and the audited annual financial statements of ENW will be prepared as of 31 March in each year. None of the Issuer, 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 and ENW will be available free of charge in accordance with “*Documents Available*” above.

Auditors

The auditors of the Issuer and ENW are Deloitte LLP, chartered accountants, of 2 Hardman Street, Manchester M3 3HF, who have audited 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.

Trustee’s reliance on reports and legal opinions

The Trustee may act, and rely, without liability, upon certain of the reports of accountants and other information, advice or opinions, of other experts provided in connection with the Programme and/or the issue of Notes thereunder, notwithstanding that such reports, advice, opinion or information may be provided on terms whereby they contain a limit on the liability of such accountants or other experts. The Trustee will not necessarily be an addressee to such reports.

Under the terms of the Programme, the 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.

GLOSSARY OF DEFINED TERMS

The following terms are used throughout this Prospectus:

Definitions

“**Affiliate**” means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company.

“**Applicable Accounting Principles**” means , in respect of the Issuer, IFRS, or in respect of the ENW Group, IFRS or generally accepted accounting principles in the United Kingdom as applied from time to time.

“**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.

“**Authority**” the Gas and Electricity Markets Authority that is established under Section 1 of the Utilities Act 2000.

“**Calculation Amount**” has the meaning specified in the relevant Final Terms.

“**Clearstream, Luxembourg**” means Clearstream Banking, société anonyme.

“**Conditions**” means the terms and conditions of the Notes set out in Chapter 8 (*Terms and Conditions of the Notes*) of this Prospectus.

“**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.

“**Environment Agency**” means the non-departmental public body of the Department for Environment, Food and Rural Affairs created under the Environment Act 1995.

“**ENW Group**” means the Issuer, the Guarantor and each of the Guarantor’s Subsidiaries from time to time.

“**ENW Group Hedging Arrangements**” means the Existing ENW Group Hedging Arrangements and the New ENW Group Hedging Arrangements.

“**Eurosystem**” means the monetary authority of the Member States which have adopted the euro as their sole official currency.

“**Event of Default**” means an event specified as such in Condition 11 (*Events of Default*).

“**Existing ENW Fixed Rate Notes**” means the £450,000,000 8.875 per cent. bonds due 2026 issued by the Guarantor on or around 28 July 1995, 4 July 2001, 18 December 2001 and 11 February 2002.

“**Existing ENW Group Hedging Arrangements**” has the meaning given to it in Condition 20 (*Definitions*).

“**Financial Guarantees**” means any financial guarantee issued by a Financial Guarantor in respect of any Wrapped Note.

“**Global Note**” means a temporary Global Note and/or, as the context may require, a permanent Global Note, a CGN and/or a NGN, as the context may require.

“**Hedging Policy**” means the hedging policy in place under the NWEN Debt Programme.

“**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 and references to “**Holding Companies**” shall be construed accordingly.

“**IFRS**” means International Financial Reporting Standards as adopted by the EU.

“**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.

“**Initial Issue Date**” means the date on which the first Tranche of Notes is issued under the Programme.

“**Investment Grade**” means a rating of at least Baa3 by Moody’s or BBB- by S&P or BBB- by Fitch (or such equivalent ratings by any other internationally recognised credit rating agency).

“**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 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.

“**Interest Payment Date**” has the meaning given to it in the relevant Final Terms.

“**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) above and is issued by:
 - (i) any of the credit rating agencies referred to in those sub-paragraphs, or
 - (ii) 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.

“**Issuer/ENW Loan Agreement**” means a loan agreement dated on or about the Signing Date entered into between the Issuer and ENW.

“**Issuer Hedging Agreement**” means the Issuer/ENW Index-Linked Swap, the Issuer/ENW Interest Rate Swap and any other hedging agreement entered into by the Issuer on or after the Signing Date;

“**Licence**” means the Guarantor’s 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.

“**Maturity Date**” means the date on which a Note is expressed to be redeemable.

“**Member State**” means a member state of the European Union.

“**National Grid**” means the transmission system of electricity in England and Wales.

“**New ENW Group Hedging Arrangements**” has the meaning given to it in Condition 20 (*Definitions*).

“**Notice**” means a notice given directly to a person in writing (which includes electronic communication) and includes a notification.

“**NPV**” means net present value.

“**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 the relevant determination is provided for in the terms of such Event of Default, and assuming no intervening remedy), would constitute an Event of Default.

“**Programme**” means the £1,000,000,000 guaranteed note programme established by the Issuer admitted to the Official List and to the London Stock Exchange as described in this Prospectus.

“**Rating Agencies**” has the meaning given to it in Condition 20 (*Definitions*).

“**Regulatory Accounts**” has the meaning given to it in the Licence.

“**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 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).

“**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.

“**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.

“**Signing Date**” means 17 July 2009.

“**Specified Interest Payment Dates**” has the meaning given to it in the relevant Final Terms.

“**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.

“**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.

“**Transaction Documents**” means:

- (a) the Trust Deed;
- (b) any Notes issued under the Programme (including the applicable Final Terms);
- (c) each agreement documenting a general corporate facility granted to ENW or any member of the ENW Group in connection with the Programme on or after the Signing Date;
- (d) each agreement documenting a New ENW Group Hedging Arrangement;
- (e) each Financial Guarantee;
- (f) each Guarantee and Reimbursement Agreement;
- (g) each Financial Guarantee Fee Letter;
- (h) the Agency Agreement;
- (i) the Issuer/ENW Loan Agreement;
- (j) the Issuer/ENW Index-Linked Swap;
- (k) the Issuer/ENW Interest Rate Swap;
- (l) the Issuer/NWEN Loan Agreement; and
- (m) the Dealership Agreement and any calculation agency agreement and subscription agreement entered into pursuant to it.

“**Trust Deed**” means the Trust Deed dated on or about the Signing Date and entered into between the Issuer, the Guarantor and the Trustee, under which the Notes are constituted.

“**Unwrapped Notes**” means any debt that is not guaranteed by a Financial Guarantor.

“**U.S.**” or “**United States**” means the United States of America.

“**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.

“**Wrapped Note**” 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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