OFFERING CIRCULAR
Dated 14 November 2014

EASTERN POWER NETWORKS PLC

(incorporated and registered with limited liability in England and Wales under registration number 02366906)
and

LONDON POWER NETWORKS PLC

(incorporated and registered with limited liability in England and Wales under registration number 03929195)
and

SOUTH EASTERN POWER NETWORKS PLC

(incorporated and registered with limited liability in England and Wales under registration number 03043097)

£10,000,000,000
Euro Medium Term Note Programme

*Under this £10,000,000,000 Euro Medium Term Note Programme (the "***Programme***"), Eastern Power Networks plc ("***EPN***") London Power Networks plc ("***LPN***") and South Eastern Power Networks plc ("***SPN***" and, together with EPN and LPN, the "***Issuers***" and each, an "***Issuer***") may from time to time issue notes (the "***Notes***") denominated in any currency agreed between the Issuer of such Notes (the "***relevant Issuer***") and the relevant Dealer (as defined below).*

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £10,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement (as defined herein)), subject to increase as described in this Offering Circular.

*The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Description of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuers (each a "***Dealer***" and together the "***Dealers***"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular 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 such Notes.*

*Application has been made to the Financial Conduct Authority in its capacity as competent authority (the "***UK Listing Authority***") for Notes (other than Exempt Notes, as defined below) issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list maintained by 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 Offering Circular to Notes (other than Exempt 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 Markets in Financial Instruments Directive (Directive 2004/39/EC). The requirement to publish a prospectus under the Prospectus Directive (as defined herein) only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Offering Circular to "***Exempt Notes***" are to Notes for which no prospectus is required to be published under the Prospectus Directive. The UK Listing Authority has neither approved nor reviewed information contained in this Offering Circular in connection with Exempt Notes.*

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

Prospective investors should consider carefully the risks set forth under "Risk Factors" on pages 9 to 15 prior to making investment decisions with respect to the Notes.

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

*Each of the Issuers has been rated BBB+ by Standard & Poor's Credit Market Services Europe Limited ("***S&P***"), Baa1, senior unsecured, and Prime-2, short-term, by Moody's Investors Service Limited ("***Moody's***") and each of EPN and SPN has been rated BBB+, senior unsecured, F3, short-term, and LPN has been rated A-, senior unsecured, and F2, short-term, by Fitch Ratings Limited ("***Fitch***"). S&P also assigned BBB long term corporate credit ratings to the ultimate UK holding company of the Issuers, UK Power Networks Holdings Limited, and to each of the intermediate holding companies, UK Power Networks Services Holdings Limited and UK Power Networks Services (South East) Limited. Each of S&P, Moody's and Fitch is established in the European Union and is registered under the Regulation (EC) No 1060/2009 (as amended) (the "***CRA Regulation***"). Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms (or Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating assigned to the relevant Issuer by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.*

This document is issued in replacement of an Offering Circular dated 26 September 2012 and issued by the Issuers and accordingly supersedes that earlier Offering Circular. This does not affect any Notes issued by any of the Issuers prior to the date of this Offering Circular.

Arranger
THE ROYAL BANK OF SCOTLAND

Dealers

BARCLAYS ***DEUTSCHE BANK*** ***HSBC***

LLOYDS BANK ***MIZUHO SECURITIES*** ***MORGAN STANLEY***

RBC CAPITAL MARKETS ***THE ROYAL BANK OF SCOTLAND***

IMPORTANT INFORMATION

*This Offering Circular comprises a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of Article 5.4 of Directive 2003/ 71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the "***Prospectus Directive***") and for the purpose of giving information with regard to the Issuers and their subsidiaries which, according to the particular nature of each Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the relevant Issuer.*

Each of the Issuers accepts responsibility for the information contained in this Offering Circular, the Final Terms and, in the case of Exempt Notes, the Pricing Supplement. To the best of the knowledge of each Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

Neither the Dealers nor the Trustee have independently 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 Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuers in connection with the Programme. Neither the Dealers nor the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuers in connection with the Programme.

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

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

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

Prospective investors should refer, inter alia*, to the most recently published documents incorporated by reference into this Offering Circular.*

IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF NOTES GENERALLY

This Offering Circular 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 Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Trustee and the Dealers do not represent that this Offering Circular 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 Issuers, the Trustee or the Dealers which would permit a public offering of any Notes outside the United Kingdom or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular 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 Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom) and Japan (see "Subscription and Sale").

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of such Stabilisation 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 must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

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

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

PRESENTATION OF INFORMATION

In this Offering Circular, all references to:

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

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OVERVIEW OF THE PROGRAMME

The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes).

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

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

Issuers:	Eastern Power Networks plc London Power Networks plc South Eastern Power Networks plc
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the relevant Programme. These are set out under "*Risk Factors*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Arranger:	The Royal Bank of Scotland plc
Dealers:	Barclays Bank PLC Deutsche Bank AG, London Branch HSBC Bank plc Lloyds Bank plc Mizuho International plc Morgan Stanley & Co. International plc RBC Europe Limited The Royal Bank of Scotland plc and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Offering Circular. **Notes with a maturity of less than one year** Notes having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Trustee:	Deutsche Trustee Company Limited

Issuing and Principal Paying Agent:	Deutsche Bank AG, London Branch
Programme Size:	Up to £10,000,000,000 (or its equivalent in other currencies, calculated as described in the Programme Agreement) outstanding at any time. The Issuers may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and, in each case, on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer.
Maturities:	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.
Issue Price:	Notes will be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in "*Form of the Notes*".
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate 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., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate set out in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to movements in the U.K. Retail Prices Index or the euro area Harmonised Index of Consumer Prices during a reference period, as agreed between the relevant Issuer and the relevant Dealer and specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes). Index Linked Redemption Notes may also have a maximum redemption price, a minimum redemption price or both.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Exempt Notes:	Any Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.
Redemption:	The applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons, indexation reasons (in the case of Index Linked Notes) or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer. Notes may also be redeemed at the option of the Noteholders in certain circumstances following the occurrence of a Restructuring Event, as more particularly set out in Condition 7(f). Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes with a maturity of less than one year*" above.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer and as specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) save that (i) the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions – Notes with a maturity of less than one year*" above and (ii) the minimum denomination of each Note (other than an Exempt Note) will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency as at the date of issue of the Notes).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed or levied by or on behalf of the United Kingdom, subject as provided in Condition 8. In the event that any such deduction is made, the relevant Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 3.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 10.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the relevant Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if

	any) of the relevant Issuer, from time to time outstanding.
Ratings:	Series of Notes issued under the programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) and will not necessarily be the same as the ratings assigned to the relevant Issuer. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing:	Application has been made for Notes (other than Exempt Notes) issued under the Programme to be listed on the Market.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom) and Japan, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

RISK FACTORS

Each of the Issuers believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. All of these factors are contingencies which may or may not occur and none of the Issuers is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the Issuers believes that the factors described below represent the principal risks inherent in investing in the Notes issued under the Programme, but the inability of an Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuers based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Factors that may affect the Issuers' ability to fulfil their obligations under Notes issued under the Programme

The risks of the Issuers' business and the corporate risks that impact the Issuers are set out below. However certain risk management functions of the Issuers are effected at the level of the Issuers' holding company UK Power Networks Holdings Limited ("**UK Power Networks**") and so to an extent certain of the risk factors are also described at that level. A simplified group structure diagram of UK Power Networks, its shareholders and its material subsidiaries is set out at page 75 of this Offering Circular.

OPERATIONAL AND REGULATORY RISKS

Regulation of public distribution networks business

Each of LPN, EPN and SPN (together, the "**Issuers**") is engaged in the public distribution networks business and is regulated by the Gas and Electricity Marketing Authority, which operates under the name of the Office of Gas and Electricity Markets ("**Ofgem**"). The principal objective of Ofgem, as set out in the Electricity Act 1989 as amended by the Utilities Act 2000, the Energy Act 2004, the Energy Act 2008, the Energy Act 2010, the Energy Act 2013, the Electricity and Gas (Internal Markets) Regulations 2011 and other legislation is to protect the interests of existing and future customers in relation to electricity conveyed by distribution systems or transmission systems. Ofgem is required to carry out respective functions under Part I of the Electricity Act 1989 in the manner it considers is best calculated to further the principal objective, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission, distribution or supply of electricity or the provision or use of electricity interconnectors. In performing certain of its duties, Ofgem is required to have regard to the need to secure that all reasonable demands for electricity are met, the need to secure that licence holders are able to finance their statutory and licensed obligations, and have regard to the need to contribute to the achievement of sustainable development. Although none of the Issuers is aware of any circumstances that would constitute a material breach of its statutory or licence obligations, there is a risk that any breach of such statutory or licence obligation may lead to enforcement action by Ofgem.

Ofgem sets and enforces licence conditions, regulates quality of service and sets network price controls. Ofgem's most recent Distribution Price Control Review ("**DPCR**") took effect from April 2010, with the next DPCR expected to take effect in 2015.

Contract performance risk

Failure to fulfil certain conditions in respect of its commitments in relation to private networks may expose the relevant Issuer to penalties or the exercise of performance guarantees.

Fluid-filled cables

Like all other distributors in the United Kingdom, the Issuers' networks contain fluid-filled cables ("**FFCs**"). These cables can leak and pollute ground soil. The Environment Agency, Ofgem and distributors have had discussions concerning this problem.

The Issuers have recognised the need to replace a number of FFCs which are currently a significant part of the Issuers' networks. Recognition of some of this expenditure has been given by Ofgem in the latest DPCR. However, it is possible that it might be necessary to accelerate the programme of replacement were there to be changes in standards or enforcement by environmental authorities.

Regulatory requirements

The electricity industry is subject to extensive regulatory obligations with which the Issuers must comply. Non-compliance can result in financial penalties and have a negative reputational impact. Changes to the regulatory framework could have significant impacts on the operation of the business. From April 2015 Ofgem's new RIIO (Revenue = Incentives + Innovation + Outputs) framework will apply, which could change the regulatory requirements and the Issuers' allowed revenues considerably.

Network Assets

There are significant risks associated with network assets owned by each of the Issuers where failure could result in a loss of supply of electricity to customers. These include, without limitation, risks of damage to network assets caused by natural disasters. Customer service and continuity and quality of supply are core regulatory requirements and poor performance in these areas can result in financial penalties to the relevant Issuer as the owner of network assets. Any such incidents may also cause adverse publicity and may impact negatively on the reputation of the relevant Issuer.

Supply chain

Any interruption to the supply of critical materials or services could have a significant impact on the relevant Issuer's ability to develop and reinforce their respective networks. In addition, volatility in commodity prices can have a significant impact on costs.

There are a variety of mechanisms in place to minimise these risks.

UK Power Networks and the Issuers have an embedded risk awareness culture to understand and manage significant business risks in order to increase certainty of achieving strategic goals. This leads to a high level of risk management assurance for the Distribution Business Executive Team and the Board of Directors of UK Power Networks.

UK Power Networks operates a risk and control self-assessment regime facilitated by a Risk Management & Compliance Committee ("**RMCC**"). The RMCC aids in monitoring, anticipating and responding to business risks by checking, challenging and monitoring the progress of the business in managing their risks. In order to support its core business activities, it is necessary for each of the Issuers to purchase significant quantities of materials and enter into contracts for the supply of other products and services. Although the Issuers routinely enter into long-term contracts to protect their commercial position, significant price rises and/or failure to secure key materials could have a significant adverse affect on the operations and/or financial position of the Issuers. Whilst each Issuer receives protection from inflation through its price controls being linked to the retail price index, it will be exposed or benefit from any changes relative to inflation, either as a result of commodity prices or issues around supply and demand for plant and equipment or with its contractors. To the extent it purchases equipment from overseas, this exposure would also extend to exchange rate fluctuations.

IT Systems

Each Issuer relies on a number of key IT systems for network operation. Failure to plan and execute suitable contingencies in the event of critical IT system breakdowns could result in poor customer service and/or an inability to operate the network effectively. Each Issuer has robust contingency plans in place to cover such eventualities and regularly tests these plans but no assurance can be given as to their effectiveness going forward.

Environment

Failure to comply with legislation in the event of an environmental incident could lead to prosecution by the Environmental Agency. While each Issuer has robust operating, inspection and maintenance procedures in place to mitigate this risk, ongoing compliance cannot be guaranteed.

Storm Related Supply Interruptions

Failure to manage storm related supply interruptions adequately could lead to negative customer perception, adverse publicity and a potential financial impact on the business. Each Issuer has developed robust operating procedures to manage storm related supply interruptions and has, through independent review, achieved benchmark performance in previous incidents. No assurance can be given, however, that satisfactory performance can be delivered in the future. Ofgem investigated the performance of the Issuers (and two other distributors) during the December 2013 storms, which resulted in the Issuers paying £0.6 million under the guaranteed standards provisions, £2.0 million as goodwill payments to customers, and £0.8 million to charity. The Issuers are in the process of paying a further £0.3m to customers and £0.2m to charity.

CORPORATE RISKS

Corporate responsibility and reputational risk

Failure by the Issuers to meet UK Power Networks' ethical obligations could lead to loss of reputation within the industry, locally and/or nationally, and a loss of customers.

Corporate credit risk

Corporate counterparty risk arises from cash deposits with banks, other treasury investments, procurement of insurance and network development exposures.

Financial risk and management

The Issuers and UK Power Networks (together the "**Group**") finance their operations by a mixture of retained profits, bank borrowings, medium-term loans and long-term loans. Each Issuer has borrowings denominated in sterling at fixed rates of interest. The Issuers' activities expose them to a number of financial risks including interest rate risk, cash flow risk and credit and liquidity risk. The main risk arising from the Issuers' financial instruments is interest rate risk.

UK Power Networks develops and implements risk management policies and procedures and promotes a robust control environment at all levels of the organisation including at the level of the Issuers.

Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings and deposits is managed by using fixed rate debt instruments. UK Power Networks utilises financial derivative products to lock in UK Treasury rates in anticipation of future financing, when appropriate, to reduce its exposure to the expected future cash flows variability in its debt instruments. An element of long-term debt is index linked which creates a natural hedge against the Group's regulated income

The use of financial derivatives is governed by UK Power Networks' policies approved by the Board of Directors of UK Power Networks, which provide written principles on the use of financial derivatives to manage these risks. Neither UK Power Networks nor any of the Issuers use derivative financial instruments for speculative purposes.

Foreign exchange risk

The Group's activities have minimal exposure to the financial risks of changes in foreign currency exchange rates. The Group does not use foreign exchange forward contracts and interest rate swap contracts to hedge these exposures.

Credit and liquidity risk

The credit risk on liquid funds and financial instruments is limited because the Issuer and the Group's counterparties are reputable banks. The Issuers are able to raise finance in external financial markets supported by cash flows generated by the regulated asset value which determines the levels of allowed revenue that may be recovered. The Directors of the Issuers and the Group believe the Issuers and the Group have sufficient resources to service their assets and liabilities for the foreseeable future.

The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments. The Group maintains a mixture of long-term funding and short-term liquid funds in order that there are sufficient funds available for the Group's current and planned operations. The Group has borrowing arrangements in place with a wide range of third parties with high credit ratings. At 31 December 2013 the Group had £500 million of committed borrowing facilities with third parties available which were undrawn. Additionally, as at 31 December 2013, EPN had bonds outstanding in an aggregate principal amount of £1,300 million with maturities falling between 2021 and 2036; LPN had bonds outstanding in an aggregate principal amount of £1,000 million with maturities falling between 2016 and 2032; and SPN had bonds outstanding in an aggregate principal amount of £850 million with maturities falling between 2023 and 2031. As at 31 December 2013, the Group had £4,706 million of borrowings.

Pursuant to tender offers made to the relevant holders, on 19 September 2014, UK Power Networks purchased (i) £52,277,000 of the 5.375 per cent. senior unsecured fixed rate notes due November 2016 of LPN (the **LPN 2016 Notes**); (ii) £67,721,000 of the 8.5 per cent. notes due 2025 of EPN (the **EPN 2025 Notes**); and (iii) £30,003,000 of the 5.50 per cent. notes due 2026 of SPN (the **SPN 2026 Notes**). All notes so purchased were cancelled by the relevant issuer. Following such purchase and cancellation, £247,723,000 in aggregate nominal amount of the LPN 2016 Notes were outstanding, £132,279,000 in aggregate nominal amount of the EPN 2025 Notes were outstanding and £269,997,000 in aggregate nominal amount of the SPN 2026 Notes were outstanding.

Liquidity risk is managed by spreading debt maturities over a wide range of dates thereby ensuring that the company is not subject to excessive financing risk in any one year. Derivative instruments are used on a group wide basis to manage the risks identified.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The distribution businesses are required also by their distribution licences to maintain investment grade ratings which they have done.

The Group has no significant concentration of credit risk with exposure spread over a large number of counterparties and customers.

Pensions

Employees and former employees of the Issuers have pension entitlements from defined benefit pension schemes. Low interest rates, the decline in financial markets and changes in demographic factors have produced actuarial deficits that have led to increased pension expense and cash contributions. Interest rates, financial markets and demographic factors amongst others, may lead to higher pensions costs, cash contributions and schemes deficits in the future. The pension scheme trustees set the investment strategy appropriate to the risk of the scheme and keep this under review. As part of the regulatory framework, Ofgem allows the majority of the expected pension costs to be recovered from customers, including any deficit over a 15-year period. However, Ofgem has indicated that after 2015 it will benchmark total employment costs including pensions so that ongoing pensions costs, as opposed to deficit contributions, will only be funded to the extent that they are part of an efficient cost of employment. In addition, Ofgem has included an efficiency test of deficits post-March 2010 that may trigger a more in-depth review.

Health and Safety

There is a risk that fatalities or serious injuries may occur involving a member of staff, a contractor, a member of the public, or a third party. Any such incident could lead to potential prosecution and a fine and have an adverse effect on an Issuer.

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

Risks related to the structure of a particular issue of Notes

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

Notes subject to optional redemption by the relevant Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the relevant 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.

An 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

Each Issuer may issue Notes on terms that the amount of interest payable on each interest payment date and/or the amount to be repaid upon redemption of the Notes will be calculated by reference to movements in (a) the U.K. Retail Prices Index (**"RPI"**) or (b) the euro area Harmonised Index of Consumer Prices (**"HICP"**) during a reference period (**"Index Linked Notes"**). Each of RPI and HICP may go down as well as up.

Where the amount of interest payable on any Tranche of Notes is subject to adjustment by reference to RPI or HICP, a decrease in RPI or HICP (as applicable) over the reference period will reduce the amount of interest payable in respect of such Notes. In a deflationary environment, the annual interest received may be lower than

the rate of interest specified in the applicable Final Terms, or in the case of Exempt Notes, the applicable Pricing Supplement.

Where the amount payable upon redemption of any Tranche of Notes is subject to adjustment by reference to RPI or HICP, a decrease in RPI or HICP (as applicable) over the reference period will reduce the amount to be repaid upon redemption of such Notes to less than the nominal amount of such Notes, unless the applicable Final Terms, or in the case of Exempt Notes, the applicable Pricing Supplement specifies a minimum redemption amount which is equal to or higher than the nominal amount of such Notes.

The historical experience of RPI or HICP should not be viewed as an indication of future performance of RPI or HICP (as applicable) during the term of any Index Linked Note.

Fixed/Floating Rate Notes

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

Risks related to Notes generally

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

Modification, waivers and substitution

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

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

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they

are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the relevant Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive or any law implementing or complying with, or introduced in order to conform to, such Directive.

U.S. Foreign Account Tax Compliance Withholding

Whilst the Notes are in global form and held within Euroclear Bank SA/NV or Clearstream Banking, société anonyme (together the "**ICSDs**"), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") will affect the amount of any payment received by the ICSDs (see *Taxation – Foreign Account Tax Compliance Act*). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the common depositary or common safekeeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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

Risks related to the market generally

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

The secondary market generally

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

Exchange rate risks and exchange controls

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

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

Interest rate risks

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

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

One or more independent credit rating agencies may assign credit ratings to the Issuers or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the auditor's report and audited unconsolidated annual financial statements of EPN for the financial years ended 31 December 2012 and 31 December 2013;

(b) the auditor's report and audited unconsolidated annual financial statements of LPN for the financial years ended 31 December 2012 and 31 December 2013;

(c) the auditor's report and audited unconsolidated annual financial statements of SPN for the financial years ended 31 December 2012 and 31 December 2013; and

(d) (i) the Terms and Conditions set out on pages 20 to 44 of the Offering Circular dated 22 May 2002, (ii) the Terms and Conditions set out on pages 20 to 44 of the Offering Circular dated 6 June 2003, (iii) the Terms and Conditions of the Notes set out on pages 19 to 43 of the Offering Circular dated 24 May 2004, (iv) the Terms and Conditions of the Notes set out on pages 31 to 55 of the Offering Circular dated 23 October 2009, (v) the amendments, set out on pages 2 to 3 of the Supplement dated 3 November 2009, to the Terms and Conditions set out on pages 31 to 55 of the Offering Circular dated 23 October 2009, (vi) the Terms and Conditions set out on pages 30 to 53 of the Offering Circular dated 26 May 2011 and (vii) the Terms and Conditions set out on pages 24 to 57 of the Offering Circular dated 26 September 2012.

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

Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of each of the Issuers and from the specified offices of the Paying Agents for the time being in London and Luxembourg. In addition, copies of the documents will be available at the website of the Regulatory News Service operated by the London Stock Exchange.

If the documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Offering Circular for the purposes of the Prospectus Directive (Directive 2003/71/EC) except where such information or other documents are specifically incorporated by reference.

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

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

PRESENTATION OF FINANCIAL INFORMATION

The financial information relating to EPN, LPN and SPN, as incorporated by reference into this Offering Circular in respect of the financial years ended 31 December 2012 and 2013 has been prepared in accordance with accounting principles generally accepted in the United Kingdom.

FORM OF THE NOTES

Any reference in this section to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.

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

(i) if the Global Notes are intended to be issued in new global note (**"NGN"**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"); and

(ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg.

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

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

In respect of each Tranche initially represented by a Temporary Global Note, on and after the date (the "**Exchange Date**") which is 40 days after such Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein for either (i) interests in a Permanent Global Note of the same Series or (ii) definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Notes. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

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

The applicable Final Terms may specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by two Authorised Persons (as defined in the Trust Deed) of the relevant Issuer is given to the Trustee. The relevant

Issuer will promptly give notice to the Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

In the event that a Global Note is exchanged for definitive Notes, such definitive Notes shall be issued in Specified Denomination(s) only. Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant date for exchange, a principal amount of Notes such that their holding is an integral multiple of a Specified Denomination.

The exchange of a Permanent Global Note for definitive Notes upon notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder) should not be expressed to be applicable in the applicable Final Terms if the Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for definitive Notes.

The following legend will appear on all Notes (other than Temporary Global Notes) and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

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

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

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

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and an ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Trustee and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the relevant Issuer, the Trustee, and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

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

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

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes, other than where such Notes are Exempt Notes, issued under the Programme.

[ ]

[Eastern Power Networks plc/London Power Networks plc/South Eastern Power Networks plc]

Issue of [ ] [ ]

under the £10,000,000,000
Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions set forth in the Offering Circular dated 14 November 2014 [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Offering Circular**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [ ] which are incorporated by reference into the Offering Circular dated 14 November 2014. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 14 November 2014 [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Offering Circular**"), including the Conditions incorporated by reference in the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange.

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

	(ii)	Interest Commencement Date:	[ ]
8.	Maturity Date:		[ ]
9.	Interest Basis:		[[ ] per cent. Fixed Rate] [[ ] +/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] (further particulars specified in paragraph [14/15/16/17] below)
10.	Redemption Basis:		[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] [ ] per cent. of their nominal amount] [Index Linked Redemption]
11.	Change of Interest Basis:		[Not Applicable][For the period from (and including) the Interest Commencement Date, up to (but excluding) [ ] paragraph [14/15] applies and for the period from (and including) [ ], up to (and including) the Maturity Date, paragraph [14/15] applies]
12.	Put/Call Options:		[Not Applicable] [Investor Put] [Issuer Call] [(further particulars specified in paragraph [19/20] below)]
13.	[Date approval by Committee of the Board of Directors for issuance of Notes obtained:]		[ ] [Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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

15.	**Floating Rate Note Provisions**		[Applicable/Not Applicable]
	(i)	Specified Period(s)/ Specified Interest Payment Dates:	[ ] [, subject to adjustment in accordance with the Business Day Convention set out in (ii) below/, not subject to adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]
	(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
	(iii)	Additional Business Centre(s):	[ ]
	(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
	(vi)	Screen Rate Determination:	
		– Reference Rate:	[ ] month [LIBOR/EURIBOR]
		– Interest Determination Date(s):	[ ]
		– Relevant Screen Page:	[ ]
	(vii)	ISDA Determination:	[ ]
		– Floating Rate Option:	[ ]
		– Designated Maturity:	[ ]
		– Reset Date:	[ ]
	(viii)	Linear Interpolation:	[Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
	(ix)	Margin(s):	[+ /-] [ ] per cent. per annum
	(x)	Minimum Rate of Interest:	[ ] per cent. per annum
	(xi)	Maximum Rate of Interest:	[ ] per cent. per annum
	(xii)	Day Count Fraction:	[[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] 30E/360 (ISDA)]
16.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable]
	(i)	Accrual Yield:	[ ] per cent. per annum
	(ii)	Reference Price:	[ ]
	(iii)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]
17.	**Index Linked Interest Note Provisions**		[Applicable/Not Applicable]

	(i)	Rate of Interest:	[ ] per cent. per annum
	(ii)	Specified Period(s) / Specified Interest Payment Dates:	[ ]
	(iii)	Business Day Convention:	[Not Applicable/Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iv)	Additional Business Centre(s):	[ ][Not Applicable]
	(v)	Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual (ISDA)][Actual/Actual]] [Actual/365 (Fixed)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond basis] [30E/360 (ISDA)]
	(vi)	Determination Date(s):	[[ ] in each year][Not Applicable]

PROVISIONS RELATING TO INDEXATION (IF APPLICABLE)

18.	**Index Linked Note Provisions:**		[Applicable/Not Applicable]
	(i)	Index:	[RPI][HICP]
	(ii)	Name and address of Calculation Agent:	[ ]
	(iii)	Party responsible for calculating Interest Amounts and Redemption Amount(s) (if not the Agent):	[ ][Not Applicable]
	(iv)	Base Index Figure:	[ ]
	(v)	Index Figure applicable to:	[particular month: paragraph (A) of the definition of "Index Figure applicable" applies] [first calendar day of any month: paragraph (B) of the definition of "Index Figure applicable" applies] [[ ] in any month: paragraph (C) of the definition of "Index Figure applicable" applies]
	(vi)	Reference Gilt:	[ ] per cent. Index-Linked Treasury Stock due [ ]
	(vii)	Limited Indexation:	[Applicable][Not Applicable]
	•	Minimum Indexation Factor:	[ ][Not Applicable]
	•	Maximum Indexation Factor:	[ ][Not Applicable]
	•	Limited Indexation Month(s) or period for calculation of Limited Indexation Factor:	[ ]

PROVISIONS RELATING TO REDEMPTION

19.	**Issuer Call**			[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):		[ ]
	(ii)	Optional Redemption Amounts:		[[ ] per Calculation Amount]
		(1)	Minimum Optional Redemption Amount	[[ ] per Calculation Amount][Not Applicable]
		(2)	Maximum Optional Redemption Amount:	[[ ] per Calculation Amount][Not Applicable]
	(iii)	If redeemable in part:		[ ]

	(1)	Minimum Redemption Amount:	[ ]
	(2)	Maximum Redemption Amount:	[ ]
20.	**Investor Put**		[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[ ]
	(ii)	Optional Redemption Amount(s):	[[ ] per Calculation Amount]
	(1)	Minimum Early Redemption Amount	[[ ] per Calculation Amount][Not Applicable]
	(2)	Maximum Early Redemption Amount	[[ ] per Calculation Amount][Not Applicable]
21.	Final Redemption Amount of each Note:		[ ] per Calculation Amount
	(i)	Minimum Final Redemption Amount	[[ ] per Calculation Amount][Not Applicable]
	(ii)	Maximum Final Redemption Amount	[[ ] per Calculation Amount][Not Applicable]
22.	Early Redemption Amount of each Note payable on redemption for taxation reasons, indexation reasons or on event of default:		[[ ] per Calculation Amount]
	(i)	Minimum Early Redemption Amount	[[ ] per Calculation Amount][Not Applicable]
	(ii)	Maximum Early Redemption Amount	[[ ] per Calculation Amount][Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23.	Form of Notes:		
	(i)	Form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/ only upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005
	(ii)	New Global Note:	[Yes] [No]
24.	Additional Financial Centre(s):		[Not Applicable/[ ]]
25.	Talons for future Coupons to be attached to Definitive Notes:		[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made /No]

THIRD PARTY INFORMATION

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

Signed on behalf of [ ]:

By: ……

PART B - OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from [ ].]
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated [ ] by [ ].] [ ] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).

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

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

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

[(i)	Reasons for the offer	[ ]
(ii)	Estimated net proceeds:	[ ]
(iii)	Estimated total expenses:	[ ].]

5. 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. OPERATIONAL INFORMATION

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/[ ]]
(iv)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(v)	Delivery:	Delivery [against/free of] payment.

7. U.S. SELLING RESTRICTIONS

U.S. Selling Restrictions:	[Reg. S Compliance Category [1/2]; TEFRA D/TEFRA C/TEFRA not applicable]]

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes, whatever the denomination of those Notes, issued under the Programme.

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW. THE UK LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THIS PRICING SUPPLEMENT.

[ ]

[Eastern Power Networks plc/London Power Networks plc/South Eastern Power Networks plc]

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]

under the £10,000,000,000

Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Offering Circular dated 14 November 2014 [as supplemented by the supplement[s] dated [*date*[*s*]]] (the **Offering Circular**). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. Copies of the Offering Circular may be obtained from [*address*].

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular [dated [*original date*] which are incorporated by reference in the Offering Circular].

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.*]

[*If the Notes must be redeemed before the first anniversary of their date of issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

1.	Issuer:		[Eastern Power Networks plc/London Power Networks plc/South Eastern Power Networks plc]
2.	(i)	Series Number:	[ ]
	(ii)	Tranche Number:	[ ]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	[The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [ ] below, which is expected to occur on or about [*date*]][Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(i)	Series:	[ ]
	(ii)	Tranche:	[ ]
5.	Issue Price of Tranche:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] *(if applicable)*]

6.	(i)	Specified Denominations:	[ ]
	(ii)	Calculation Amount	[ ] *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7.	(i)	Issue Date:	[ ]
	(ii)	Interest Commencement Date:	[*specify*][Issue Date][Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8.		Maturity Date:	[*Fixed rate — specify date*][*Floating rate —* Interest Payment Date falling in or nearest to [*specify month*]]
9.		Interest Basis:	[[ ] per cent. Fixed Rate] [[ ] +/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] (further particulars specified in paragraph [14/15/16/17] below)
10.		Redemption/Payment Basis:	[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] [ ] per cent. of their nominal amount] [Index Linked Redemption]
11.		Change of Interest Basis:	[Not Applicable] [For the period from (and including) the Interest Commencement Date, up to (but excluding) [ ] paragraph [ ] applies and for the period from (and including) [ ], up to (and including) the Maturity Date, paragraph [ ] applies]]
12.		Put/Call Options:	[Not Applicable] [Investor Put] [Issuer Call] [(further particulars specified in paragraph [19/20] below)]
13.		Date approval by Committee of the Board of Directors for issuance of Notes obtained:	[ ] [Not Applicable] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.		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 in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date *(NB: Amend appropriately in the case of irregular coupons)*
	(iii)	Fixed Coupon Amount(s):	[ ] per Calculation Amount

		(Applicable to Notes in Definitive form)	
	(iv)	Broken Amount(s): *(Applicable to Notes in Definitive form)*	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]] [Not Applicable]
	(v)	Day Count Fraction:	[30/360][Actual/Actual (ICMA)][*specify other*]
	(vi)	Determination Date(s):	[[ ] in each year] [Not Applicable] *(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*
15.	Floating Rate Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Specified Period(s)/Specified Interest Payment Dates:	[ ][, subject to adjustment in accordance with the Business Day Convention set out in (ii) below/, not subject to any adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]
	(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
	(iii)	Additional Business Centre(s):	[ ]
	(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
	(vi)	Screen Rate Determination:	
		– Reference Rate:	[ ] month [LIBOR/EURIBOR/*specify other Reference Rate*] (*Either LIBOR or EURIBOR or other, although additional information is required if other*) Relevant Financial Centre: [London/Brussels/[ ]]
		– Interest Determination Date(s):	[ ] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
		– Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
	(vii)	ISDA Determination:	

		– Floating Rate Option:	[ ]
		– Designated Maturity:	[ ]
		– Reset Date:	[ ] *(In the case of a LIBOR or EURIBOR based option, the first day of the interest period)*
	(viii)	Linear Interpolation:	[Not Applicable/Applicable - the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
	(ix)	Margin(s):	[+/-] [ ] per cent. per annum
	(x)	Minimum Rate of Interest:	[ ] per cent. per annum
	(xi)	Maximum Rate of Interest:	[ ] per cent. per annum
	(xii)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)]
	(xiii)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions:	[ ]
16.	Zero Coupon Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Accrual Yield:	[ ] per cent. per annum
	(ii)	Reference Price:	[ ]
	(iii)	Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes	[ ]
	(iv)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]
17.	Index Linked Interest Note Provisions		[Applicable/Not Applicable]
	(i)	Rate of Interest:	[ ] per cent. per annum
	(ii)	Specified Period(s) / Specified Interest Payment Dates:	[ ]
	(iii)	Business Day Conventions:	[Not Applicable/Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iv)	Additional Business Centre(s):	[ ][Not Applicable]
	(v)	Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual (ISDA)][Actual/Actual]

			[Actual/365 (Fixed)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond basis] [30E/360 (ISDA)]
	(vi)	Determination Date(s):	[[ ] in each year][Not Applicable]

PROVISIONS RELATING TO INDEXATION (IF APPLICABLE)

18.	Index Linked Note Provisions:		[Applicable/Not Applicable]
	(i)	Index:	[RPI][HICP]
	(ii)	Name and address of Calculation Agent:	[ ]
	(iii)	Party responsible for calculating Interest Amounts and Redemption Amount(s) (if not the Agent):	[ ][Not Applicable]
	(iv)	Base Index Figure:	[ ]
	(v)	Index Figure applicable to:	[particular month: paragraph (A) of the definition of "Index Figure applicable" applies] [first calendar day of any month: paragraph (B) of the definition of "Index Figure applicable" applies] [[ ] in any month: paragraph (C) of the definition of "Index Figure applicable" applies]]
	(vi)	Reference Gilt:	[ ] per cent. Index-Linked Treasury Stock due [ ]
	(vii)	Limited Indexation:	[Applicable][Not Applicable]
		• Minimum Indexation Factor:	[ ][Not Applicable]
		• Maximum Indexation Factor:	[ ][Not Applicable]
		• Limited Indexation Month(s) or period for calculation of Limited Indexation Factor:	[ ]

PROVISIONS RELATING TO REDEMPTION

19.	Issuer Call:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[ ]
	(ii)	Optional Redemption Amount:	[[ ] per Calculation Amount]
		(1) Minimum Optional Redemption Amount	[[ ] per Calculation Amount][Not Applicable]
		(2) Maximum Optional Redemption Amount	[[ ] per Calculation Amount][Not Applicable]
	(iii)	If redeemable in part:	[ ]
		(1) Minimum Redemption Amount:	[ ]
		(2) Maximum Redemption Amount:	[ ]
20.	Investor Put:		[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

	(i)	Optional Redemption Date(s):	[ ]
	(ii)	Optional Redemption Amount:	[[ ] per Calculation Amount]
		(1) Minimum Early Redemption Amount	[[ ] per Calculation Amount][Not Applicable]
		(2) Maximum Early Redemption Amount	[[ ] per Calculation Amount][Not Applicable]
21.	Final Redemption Amount of each Note:		[ ] per Calculation Amount
	(i)	Minimum Final Redemption Amount	[[ ] per Calculation Amount][Not Applicable]
	(ii)	Maximum Final Redemption Amount	[[ ] per Calculation Amount][Not Applicable]
22.	Early Redemption Amount of each Note payable on redemption for taxation reasons, indexation reasons or on event of default:		[ ] per Calculation Amount
	(i)	Minimum Early Redemption Amount	[[ ] per Calculation Amount][Not Applicable]
	(ii)	Maximum Early Redemption Amount	[[ ] per Calculation Amount][Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23.	Form of Notes:		
	(i)	Form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date.] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]
	(ii)	New Global Note:	[Yes][No]
24.	Additional Financial Centre(s):		[Not Applicable/*give details*] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub- paragraph 15(iii) relates*)
25.	Talons for future Coupons to be attached to Definitive Notes:		[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No.]
26.	Other terms or special conditions		[Not Applicable/*give details*]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. [[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been

accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [ ]:

By: .....
Duly authorised

PART B - OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and Admission to Trading:	[Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [*specify market - note this should not be a regulated market*] with effect from [ ].] [Not Applicable]

2. RATINGS

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*].] [[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).] (*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

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

4. OPERATIONAL INFORMATION

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, soci**é**t**é** anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(iv)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(v)	Delivery:	Delivery [against/free of] payment
(vi)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that

the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

5. DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/give names]
(iii)	Date of [Syndication] Agreement:	[ ]
(iv)	Stabilisation Manager(s) (if any):	[Not Applicable/give names]
(v)	If non-syndicated, name of relevant Dealer:	[Not Applicable/give names]
(vi)	U.S. Selling Restrictions:	[Reg. S Compliance Category 2; TEFRA D/ TEFRA C/TEFRA not applicable]

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto these terms and conditions. The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of Final Terms" (or, in the case of a Tranche of Exempt Notes, to "Form of Pricing Supplement") for a description of the content of Final Terms (or Pricing Supplement, as applicable) which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by the Issuer (the "**Issuer**") named in the applicable Final Terms (as defined below) or applicable Pricing Supplement (as defined below), as applicable, constituted by an amended and restated trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 24 May 2004 made between Eastern Power Networks plc ("**EPN**"), London Power Networks plc ("**LPN**"), South Eastern Power Networks plc ("**SPN**") and Deutsche Trustee Company Limited (the "**Trustee**", which expression shall include any successor as Trustee).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;

(ii) any Global Note; and

(iii) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 14 November 2014 and made between LPN, EPN, SPN, the Trustee and Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the "**Agent**", which expression shall include any successor agent) and the other paying agents named therein (together, unless the context otherwise requires, with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents).

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

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and which supplement these terms and conditions (the "**Conditions**") or, if this Note is a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an "**Exempt Note**"), the final terms (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the "**applicable Final Terms**" are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. Any reference in the Conditions to "**applicable Final Terms**" shall be deemed to include a reference to "**applicable Pricing Supplement**" where relevant. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the relevant Member State.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms

and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being (at 14 November 2014) at Winchester House, 1 Great Winchester Street, London EC2N 2DB and at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. If this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

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

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the "**Specified Currency**") and the denominations (the "**Specified Denomination(s)**)" specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

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

This Note may be an Index Linked Redemption Note, depending upon the Redemption Basis shown in the applicable Final Terms.

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

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

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

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

2. STATUS OF THE NOTES

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

3. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding (as defined in the Trust Deed) the Issuer will ensure that no Relevant Indebtedness (as defined below) of the Issuer or any Relevant Subsidiary (as defined in Condition 7(f)(iv)(g)) or of any other person and no guarantee by the Issuer or any Relevant Subsidiary of any Relevant Indebtedness of any person will be secured by a mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer or any Relevant Subsidiary unless the Issuer shall, before or at the same time as the creation of the Security Interest, take any and all action necessary to ensure that:

(a) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured equally and rateably with the Relevant Indebtedness or guarantee, as the case may be, by the Security Interest to the satisfaction of the Trustee; or

(b) such other Security Interest or guarantee or other arrangement (whether or not including the giving of a Security Interest) is provided in respect of all amounts payable by the Issuer under the Notes, the Coupons and the Trust Deed either (i) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (ii) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of these Conditions:

"**Relevant Indebtedness**" means any present or future indebtedness (whether being principal, premium, interest or other amounts) in the form of or represented by bonds, notes, debentures, debenture stock, loan stock or other securities, whether issued for cash or in whole or in part for a consideration other than cash, and which, with the agreement of the person issuing the same, are quoted, listed or ordinarily dealt in on any stock exchange or recognised over-the-counter or other securities market, but shall in any event not include Non-recourse Indebtedness (as defined in Condition 10(c)); and

any reference to an obligation being guaranteed shall include a reference to an indemnity being given in respect of the obligation.

The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors in accordance with the provisions of the Trust Deed notwithstanding that any such certificate or report and/or any engagement letter or other document entered into by the Trustee and the Auditors in connection therewith contains any monetary or other limit on the liability of the Auditors in respect thereof.

4. INTEREST

(a) *Interest on Fixed Rate Notes*

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

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

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

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

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

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

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

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

For the purposes of these Conditions:

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

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

(b) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

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

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls on the number of months or other period

specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

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

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

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

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

For the purposes of these Conditions, "**Business Day**" means a day which is both:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and

(B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans- European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open.

(ii) *Rate of Interest*

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

(A) ISDA Determination for Floating Rate Notes

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

Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period specified in the applicable Final Terms; and

(3) the relevant Reset Date is the day specified in the applicable Final Terms.

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

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

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

(1) the offered quotation; or

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

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or each replacement page on that service which displays the information) as at 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 plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the 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 Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

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

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

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

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

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

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

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

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

(B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

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

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4(b):

(A) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (x) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (y) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(B) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(C) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(D) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

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

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

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 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 Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

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

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

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30; and

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

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

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(v) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided, however, that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent in consultation with the Issuer shall determine such rate at such time and by reference to such sources as both determine appropriate. "**Designated Maturity**" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

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

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

(vii) *Determination or Calculation by Trustee*

If for any reason at any relevant time the Agent defaults in its obligation to determine the Rate of Interest to calculate any Interest Amount in accordance with sub-paragraph (ii)(A) or (B) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent.

(viii) *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 4(b), whether by the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the other Paying Agents, the Trustee and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Index Linked Interest Notes:*

(i) *Interest Payment Dates*

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

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

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

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

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined in Condition 4(b)(i)), then, if the Business Day Convention specified is:

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

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Index Linked Interest Notes will be as specified in the applicable Final Terms. Amounts of interest payable in respect of Index Linked Interest Notes determined by reference to the applicable Rate of Interest shall be subject to adjustment in accordance with (A) in the case of RPI Linked Notes (as defined in Condition 5), Condition 5(a)(ii), or (b) in the case of HICP Linked Notes (as defined in Condition 5), Condition 5(b)(ii).

(iii) *Determination of applicable Index Ratio or Limited Index Ratio and calculation of Interest Amounts*

The Calculation Agent will, at or as soon as practicable after each time at which the Index Ratio or Limited Index Ratio (as the case may be) applicable to any payment of interest in respect of the Index Linked Notes becomes capable of being determined, determine the Index Ratio or Limited Index Ratio (as the case may be) applicable to the relevant payment of interest, and the Calculation Agent will notify the Agent of the Index Ratio or Limited Index Ratio (as the case may be) as soon as practicable after determining the same.

The Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Index Linked Interest Notes in respect of any period by applying the Rate of Interest to:

(A) in the case of Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(B) in the case of Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by (1) the applicable Day Count Fraction (as defined in (x) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms, Condition 4(a) or (y) in any other case, Condition 4(b)) and (2) the applicable Index Ratio or Limited Index Ratio in accordance with (I) in the case of RPI Linked Notes (as defined in Condition 5), Condition 5(a)(ii), or (II) in the case of HICP Linked Notes (as defined in Condition 5), Condition 5(b)(ii), and in each case rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in

respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

(iv) *Notification of Interest Amounts*

The Agent will cause the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Index Linked Interest Notes are for the time being listed or by which the Notes have been admitted to trading and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined in Condition 4(b)(vi)) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Index Linked Interest Notes are for the time being listed or by which the Notes have been admitted to trading and to the Noteholders in accordance with Condition 14.

(v) *Determination or Calculation by Trustee*

If for any reason at any relevant time the Calculation Agent defaults in its obligation to determine the Index Ratio or Limited Index Ratio applicable to any payment of interest in respect of the Notes or the Agent defaults in its obligation to calculate any Interest Amount for any period(s), in each case in accordance with sub-paragraph (iii) above or as otherwise specified in the applicable Final Terms, as the case may be, the Trustee shall determine the Index Ratio or Limited Index Ratio applicable to the relevant payment at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition and to the provisions of Condition 5), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) for the relevant period(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent or the Agent, as applicable.

(vi) *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 4(c), whether by the Calculation Agent, the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Agent, the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Calculation Agent, the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(d) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

(e) *Exempt Notes*

In the case of Exempt Notes which are also Floating Rate Notes where the applicable Pricing Supplement identifies that Screen Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Exempt Notes will be determined as provided in the applicable Pricing Supplement.

5. INDEXATION

(a) *Indexation of RPI Linked Notes*

This Condition 5(a) is applicable only if the applicable Final Terms specifies (i) that the Notes are Index Linked Interest Notes and/or Index Linked Redemption Notes, and (ii) that the applicable Index is RPI (such Notes, the "**RPI Linked Notes**").

(i) Definitions

For the purposes of these Conditions:

"**Base Index Figure**" means (subject to Condition 5(a)(iii)(A)) the Base Index Figure specified in the applicable Final Terms;

"**Index**" or "**Index Figure**" means, subject as provided in Condition 5(a)(iii)(A), the U.K. Retail Prices Index (RPI) (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace the U.K. Retail Prices Index for the purpose of calculating the amount payable on repayment of the Reference Gilt. Any reference in these Conditions and/or the applicable Final Terms to the "**Index Figure applicable**" to a month or date shall, subject in each case as provided in Conditions 5(a)(iii) and 5(a)(v):

(A) if the applicable Final Terms specify the Index Figure applicable to a particular month, 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; or

(B) if the applicable Final Terms specify the Index Figure applicable to the first calendar day of any month, 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

(C) if the applicable Final Terms specify the Index Figure applicable to any other day in any month, be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the specified day falls, calculated as described in sub-paragraph (B) above, and (y) the Index Figure applicable to the first calendar day of the month following the month in which the specified day falls, calculated as described in sub-paragraph (B) above, and rounded to the nearest fifth decimal place (0.000005 being rounded upwards);

"**Index Ratio**" applicable to any month or date, as the case may be, means the Index Figure applicable to the relevant month or date, as the case may be, divided by the Base Index Figure and rounded to the nearest fifth decimal place (0.000005 being rounded upwards);

"**Limited Index Ratio**" means (a) in respect of any month or date, as the case may be, prior to the relevant Issue Date, the Index Ratio for that month or date, as the case may be, (b) in respect of any Limited Indexation Date after the relevant Issue Date, the product of the Limited Indexation Factor for that month or date, as the case may be, and the Limited Index Ratio as previously calculated in respect of the month or date, as the case may be, twelve months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

"**Limited Indexation Date**" means any date falling during the period specified in the applicable Final Terms for which a Limited Indexation Factor is to be calculated;

"**Limited Indexation Factor**" means, in respect of a Limited Indexation Month or Limited Indexation Date, as the case may be, the ratio of the Index Figure applicable to that month or date, as the case may be, divided by the Index Figure applicable to the month or date, as the

case may be, twelve months prior thereto, provided that (a) if such ratio is greater than the Maximum Indexation Factor (if any) specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor (if any) specified in the applicable Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

"**Limited Indexation Month**" means any month specified in the applicable Final Terms for which a Limited Indexation Factor is to be calculated;

"**Limited Index Linked Notes**" means RPI Linked Notes in respect of which a Maximum Indexation Factor and/or a Minimum Indexation Factor is specified in the applicable Final Terms; and

"**Reference Gilt**" means the Treasury Stock specified in the applicable Final Terms for so long as such stock is in issue, and thereafter such issue of index-linked Treasury Stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer (an "**Indexation Adviser**").

(ii) Application of the Index Ratio

Each payment of (A) in the case of Index Linked Interest Notes, interest and (B) in the case of Index Linked Redemption Notes, principal (including each Final Redemption Amount, Early Redemption Amount and Optional Redemption Amount) in respect of the RPI Linked Notes shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio or (in the case of Limited Index Linked Notes) the Limited Index Ratio applicable to the month or date, as the case may be, in or on which such payment falls to be made and rounded in accordance with Condition 4(c)(iii) provided that, in the case of Index Linked Redemption Notes:

(A) if a Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount is specified in the applicable Final Terms and such amount is greater than the amount of principal in respect of the RPI Linked Notes determined in accordance with this Condition 5(a)(ii), the Final Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) per Calculation Amount shall be, respectively, the Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms; and/or

(B) if a Maximum Final Redemption Amount, Maximum Early Redemption Amount and/or Maximum Optional Redemption Amount is specified in the applicable Final Terms and such amount is less than the amount of principal in respect of the RPI Linked Notes determined in accordance with this Condition 5(a)(ii), the Final Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) per Calculation Amount shall be, respectively, the Maximum Final Redemption Amount, Maximum Early Redemption Amount or Maximum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms.

(iii) Changes in Circumstances Affecting the Index

(A) Change in base: If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the month from and including that in which such substitution takes effect or the first date from and including that on which such substitution takes effect, as the case may be, (A) the definition of "Index" and "Index Figure" in Condition 5(a)(i) shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor), and (B) the new "Base Index Figure" shall be the product of the existing Base Index Figure and the Index Figure applicable

to the date on which such substitution takes effect, divided by the Index Figure applicable to the date immediately preceding the date on which such substitution takes effect.

(B) Delay in publication of Index if sub-paragraph (A) of the definition of Index Figure is applicable: If the Index Figure which is normally published in the seventh month and which relates to the eighth month (the "**relevant month**") before the month in which a payment is due to be made is not published on or before the 14th Business Day before the date on which such payment is due (the "**date for payment**"), the Index Figure applicable to the month in which the date for payment falls shall be (I) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, 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 an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (II) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 5(a)(iii)(A)) before the date for payment.

(C) Delay in publication of Index if sub-paragraph (B) and/or (C) of the definition of Index Figure is applicable: 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 14th Business Day before the date on which such payment is due (the "**date for payment**"), the Index Figure applicable for the relevant calculation month shall be (I) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, 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 an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (II) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 5(a)(iii)(A)) before the date for payment.

(iv) Application of Changes

Where the provisions of Condition 5(a)(iii)(B) or Condition 5(a)(iii)(C) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls or the date for payment, as the case may be, shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 5(a)(iii)(B)(II) or Condition 5(a)(iii)(C)(II), as applicable, the Index Figure relating to the relevant month or relevant calculation month, as the case may be, is subsequently published while a Note is still outstanding, then:

(A) in relation to a payment of (I) in the case of Index Linked Interest Notes, interest and/or (II) in the case of Index Linked Redemption Notes, principal in respect of such Note other than upon final redemption of such Note, the interest and/or principal (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced, as the case may be, by an amount equal to the shortfall or excess, as the case may be, of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 5(a)(iii)(B)(II) or Condition 5(a)(iii)(C)(II) relative to the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the 14th Business Day before the date for payment; and

(B) in relation to a payment of (I) in the case of Index Linked Interest Notes, interest and/or (II) in the case of Index Linked Redemption Notes, principal upon final redemption, no subsequent adjustment to amounts paid will be made.

(v) Cessation of or Fundamental Changes to the Index

(A) If (I) the Issuer and the Trustee have been notified by the Calculation Agent that the Index has ceased to be published or (II) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of (x) the Issuer be materially prejudicial to the interests of the Issuer, or (y) the Trustee (acting solely on the advice of the Indexation Adviser), be materially prejudicial to the interests of the Noteholders, the Trustee will give written notice of such occurrence to the Issuer (in the case of (I) or (II)(x) above) and the Issuer will give written notice of such occurrence to the Trustee (in the event of (II)(y) above), and the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) together shall seek to agree for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse a position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.

(B) If the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) fail to reach agreement as mentioned above within 20 London Business Days (as defined in Condition 4(b)(vi)) following the giving of notice as mentioned in paragraph (A), a bank or other person in London shall be appointed by the Issuer and the Trustee or, failing agreement on and the making of such appointment within 20 London Business Days following the expiry of the 20 London Business Day period referred to above, by the Trustee (acting solely on the advice of the Indexation Adviser) (in each case, such bank or other person so appointed being referred to as the "**Expert**"), to determine for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse a position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Trustee in connection with such appointment shall be borne by the Issuer.

(C) The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, with effect from such date as may be agreed by the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) or as determined by the Expert, 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 Trustee (acting solely on the advice of the Indexation Adviser) and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be binding upon the Issuer, the Trustee, the Noteholders and the Couponholders, and the Issuer shall give notice to the Noteholders in accordance with Condition 14 of such amendments as promptly as practicable following such agreement or determination.

(b) *Indexation of HICP Linked Notes*

This Condition 5(b) is applicable only if the applicable Final Terms specifies (i) that the Notes are Index Linked Interest Notes and/or Index Linked Redemption Notes, and (ii) that the applicable Index is HICP (such Notes, the "**HICP Linked Notes**" and, together with the RPI Linked Notes, "**Index Linked Notes**").

(i) Definitions

For the purposes of these Conditions:

"**Base Index Figure**" means the Base Index Figure specified in the applicable Final Terms;

"**Index**" or "**Index Level**" means, subject as provided in Condition 5(b)(iii), the Non-revised Index of Consumer Prices excluding tobacco or relevant Successor Index (as defined in Condition 5(b)(iii)(C)), measuring the rate of inflation in the European Monetary Union excluding tobacco, expressed as an index and published by Eurostat (the "**HICP**"). The first publication or announcement of a level of such index for a calculation month (as defined in Condition 5(b)(iii)(B)) shall be final and conclusive and later revisions to the level for such calculation month will not be used in any calculations. Any reference in these Conditions to the "**Index Level applicable**" to any day ("**d**") in any month ("**m**") shall, subject as provided in Condition 5(b)(iii), be calculated as follows:

$$I_d = HICP_{m-3} + \frac{nbd}{q_m} \times (HICP_{m-2} - HICP_{m-3})$$

where:

"$\mathbf{I_d}$" is the Index Level for the day d;

"$\mathbf{HICP_{m-2}}$" is the level of HICP for month m-2;

"$\mathbf{HICP_{m-3}}$" is the level of HICP for month m-3;

"**nbd**" is the actual number of days from and excluding the first day of month m to but including day d; and

"$\mathbf{q_m}$" is the actual number of days in month m;

"**Index Business Day**" means a day on which the TARGET2 System is open;

"**Index Determination Date**" means, in respect of any date for which the Index Level is required to be determined, the fifth Index Business Day prior to such date;

"**Index Ratio**" applicable to any date means the Index Level applicable to the relevant Index Determination Date divided by the Base Index Figure and rounded to the nearest fifth decimal place (0.000005 being rounded upwards); and

"**Related Instrument**" means an inflation-linked bond selected by the Calculation Agent that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union with a maturity date which falls on (A) the same day as the Maturity Date, (B) the next longest maturity date after the Maturity Date if there is no such bond maturing on the Maturity Date, or (C) the next shortest maturity before the Maturity Date if no bond defined in (A) or (B) is selected by the Calculation Agent. The Calculation Agent will select the Related Instrument from such of those inflation-linked bonds issued on or before the relevant Issue Date and, if there is more than one such inflation-linked bond maturing on the same date, the Related Instrument shall be selected by the Calculation Agent from such of those inflation-linked bonds. If the Related Instrument is redeemed the Calculation Agent will select a new Related Instrument on the same basis, but selected from all eligible bonds in issue at the time the originally selected Related Instrument is redeemed (including any bond for which the redeemed originally selected Related Instrument is exchanged).

(ii) *Application of the Index Ratio*

Each payment of (A) in the case of Index Linked Interest Notes, interest and (B) in the case of Index Linked Redemption Notes, principal (including each Final Redemption Amount, Early Redemption Amount and Optional Redemption Amount) in respect of the HICP Linked Notes shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio applicable to the date on which such payment falls to be made and rounded in accordance with Condition 4(c)(iii) provided that, in the case of Index Linked Redemption Notes:

(A) if a Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount is specified in the applicable Final Terms and such amount is greater than the amount of principal in respect of the HICP Linked Notes determined in accordance with this Condition 5(b)(ii), the Final Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) per Calculation Amount shall be, respectively, the Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms; and/or

(B) if a Maximum Final Redemption Amount, Maximum Early Redemption Amount and/or Maximum Optional Redemption Amount is specified in the applicable Final Terms and such amount is less than the amount of principal in respect of the HICP Linked Notes determined in accordance with this Condition 5(b)(ii), the Final Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) per Calculation Amount shall be, respectively, the Maximum Final Redemption Amount, Maximum Early Redemption Amount or Maximum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms.

(iii) Changes in Circumstances Affecting the Index

(A) Rebasing of the Index: If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased (the "**Rebased Index**") will be used for the purposes of determining the Index Level applicable to any date falling on or after the date of such rebasing; provided, however, that the Calculation Agent shall make such adjustments as are made by the calculation agent (or any other party performing the function of a calculation agent (whatever such party's title)) pursuant to the terms and conditions of the Related Instrument to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased. Any such rebasing shall not affect any prior payments made.

(B) Delay in publication of Index:

(I) If the Index Level relating to any month (the "**calculation month**") which is required to be taken into account for the purposes of the determination of the Index Level applicable to any date (the "**Relevant Level**") has not been published or announced by the day that is five Business Days before the date on which the relevant payment is due (the "**Affected Payment Date**"), the Calculation Agent shall determine a substitute Index Level (the "**Substitute Index Level**"), to be used in place of the Relevant Level for the relevant calculation month, by using the following methodology:

(1) if applicable, the Calculation Agent will take the same action to determine the Substitute Index Level for the Affected Payment Date as that taken by the calculation agent (or any other party performing the function of a calculation agent (whatever such party's title)) pursuant to the terms and conditions of the Related Instrument;

(2) if (1) above does not result in a Substitute Index Level for the Affected Payment Date for any reason, then the Calculation Agent shall determine the Substitute Index Level as follows:

Substitute Index Level = Base Level x (Latest Level / Reference Level)

where:

"**Base Level**" means the level of the Index (excluding any flash estimates) published or announced by Eurostat (or any successor entity which publishes such index) in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined;

"**Latest Level**" means the latest level of the Index (excluding any flash estimates) published or announced by Eurostat (or any successor entity which publishes such index) prior to the month for which the Substitute Index Level is being determined; and

"**Reference Level**" means the level of the Index (excluding any flash estimates) published or announced by Eurostat (or any successor entity which publishes such index) in respect of the month that is 12 calendar months prior to the month in respect of which the Latest Level was published or announced.

(II) If a Relevant Level is published or announced at any time on or after the day that is five Business Days prior to the Affected Payment Date, such Relevant Level will not be used in any calculations to be made pursuant to this Condition 5(b), and the Substitute Index Level determined pursuant to this Condition 5(b)(iii)(A) will be the definitive Index Level for the relevant calculation month.

(C) Cessation of publication:

(I) If the Index Level has not been published or announced for two consecutive months or Eurostat announces that it will no longer continue to publish or announce the Index then the Calculation Agent shall determine a successor index (the "**Successor Index**") *in lieu* of any previously applicable Index by using the following methodology:

(1) if at any time (other than after an Early Termination Event (as defined below) has occurred pursuant to Condition 5(b)(iii)(C)(II) below) a successor index has been designated by the calculation agent (or any other party performing the function of a calculation agent (whatever such party's title)) pursuant to the terms and conditions of the Related Instrument, such successor index shall be the Successor Index for the purposes of all subsequent payments of interest (in the case of Index Linked Interest Notes) and/or principal (in the case of Index Linked Redemption Notes) in respect of the Notes, notwithstanding that any other Successor Index may previously have been determined under paragraphs (2), (3) or (4) below; or

(2) if a Successor Index has not been determined under paragraph (1) above (and no Early Termination Event has occurred pursuant to

Condition 5(b)(iii)(C)(II) below), and a notice has been given or an announcement has been made by Eurostat (or any successor entity which publishes the Index) specifying that the Index will be superseded by a replacement index specified by Eurostat (or any such successor), and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be the Successor Index from the date that such replacement index comes into effect; or

(3) if a Successor Index has not been determined under paragraphs (1) or (2) above (and no Early Termination Event has occurred pursuant to Condition 5(b)(iii)(C)(II) below), the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the Successor Index. If three responses are received, and two or more leading independent dealers state the same index, this index will be deemed the Successor Index. If fewer than three responses are received, the Calculation Agent will proceed to paragraph (4) below;

(4) if no Successor Index has been determined under paragraphs (1), (2) or (3) above on or before the fifth Index Business Day prior to the next Affected Payment Date the Calculation Agent will determine an appropriate alternative index for such Affected Payment Date, and such index will be the Successor Index.

(II) If the Calculation Agent determines that there is no appropriate alternative index as referred to in Condition 5(b)(iii)(C)(4), the Issuer and the Trustee shall, in conjunction with the Calculation Agent, determine an appropriate alternative index and, if the Issuer and the Trustee, in conjunction with the Calculation Agent, do not reach agreement on an appropriate alternative index within a period of ten Business Days, then an "**Early Termination Event**" will be deemed to have occurred and the Issuer will redeem the Notes in accordance with Condition 7(c).

(D) Material Modification Prior to Interest Payment Date: If, on or prior to the day that is five Business Days before an Interest Payment Date, Eurostat announces that it will make a material change to the Index then the Calculation Agent shall make any such adjustments to the Index consistent with adjustments made to the Related Instrument.

(E) Manifest Error in Publication: If, within thirty days of publication, the Calculation Agent determines that Eurostat (or any successor entity which publishes the Index) has corrected the level of the Index to remedy a manifest error in its original publication, the Calculation Agent will notify the Issuer and the Trustee of (1) that correction, (2) the amount that is payable as a result of that correction and (3) take such other action as it may deem necessary to give effect to such correction.

Any amendments to the Index made pursuant to this Condition 5(b)(iii) shall be binding on the Issuer, the Trustee, the Noteholders and the Couponholders, and the Issuer shall give notice to the Noteholders in accordance with Condition 14 of such amendments as promptly as practicable following their determination.

6. PAYMENTS

(a) *Method of payment*

Subject as provided below:

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

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

(b) *Presentation of definitive Notes and Coupons*

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

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

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

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

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

(c) *Payments in respect of Global Notes*

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

(d) *General provisions applicable to payments*

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

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

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(e) *Exercise of put option*

To exercise the right to require the Issuer to redeem (or, in the case of Condition 7(f), to redeem or, at the option of the Issuer, purchase or procure the purchase of) this Note pursuant to Conditions 7(e) or 7(f) (if applicable), the holder of this Note must comply with the following provisions.

(i) If this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, the Noteholder must deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period specified in Condition 7(e) or Condition 7(f), a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **"Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) complying with the requirements of this Condition 6 to which payment is to be made, accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

The Paying Agent to which such Note and Put Notice are delivered shall issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered shall be made, if the holder duly specifies a bank account in the Put Notice to which payment is to be made, by transfer for value on the Optional Redemption Date or the relevant Put Date (as the case may be) to that bank account or by cheque sent by first class post to that address, in either case in compliance with the provisions of Condition 6(a). A Put Notice, once given, shall be irrevocable. For the purposes of Conditions 1, 9, 10, 11, 15 and 16, receipts issued pursuant to this Condition 6(e) shall be treated as if they were Notes.

For the avoidance of doubt, the provisions of Condition 6(b) shall apply with respect to the presentation of Notes under this Condition 6(e)(i) and payments in respect thereof.

(ii) If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, the Noteholder must, within the notice period specified in Condition 7(e) or Condition 7(f), give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice

being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a CGN, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

(f) *Payment Day*

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

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) in the case of Notes in definitive form only, the relevant place of presentation;

(B) each Additional Financial Centre specified in the applicable Final Terms; and

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

(g) *Interpretation of principal and interest*

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

(i) any additional amounts which may be payable with respect to principal under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(g)); and

(vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. REDEMPTION AND PURCHASE

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note (including Index Linked Redemption Notes) will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms (subject, in the case of Index Linked Redemption Notes, to adjustment in accordance with Condition 5(a)(ii) or Condition 5(b)(ii), as applicable) in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

(b) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor

more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two Authorised Persons 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 (ii) an opinion in a form satisfactory to the Trustee of independent legal advisers of recognised standing to whom the Trustee shall have no reasonable objection to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (g) below together (if appropriate) with interest accrued to (but excluding) the date fixed for redemption (such interest subject, in the case of Index Linked Interest Notes, to adjustment in accordance with Condition 5(a)(ii) or Condition 5(b)(ii), as applicable).

(c) *Redemption for index reasons*

(i) RPI Linked Notes

In the case of RPI Linked Notes, if either (A) the Index Figure for three consecutive months is required to be determined on the basis of an Index Figure previously published as provided in Condition 5(a)(iii)(B)(II) or Condition 5(a)(iii)(C)(II), as applicable, and the Trustee has been notified by the Calculation Agent that publication of the Index has ceased or (B) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, and (in either case) no amendment or substitution of the Index shall have been advised by the Indexation Adviser to the Issuer and such circumstances are continuing, the Issuer may, upon giving not more than 60 nor less than 30 days' notice to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), redeem all, but not some only, of the Notes at their Early Redemption Amount referred to in paragraph (g) below together (if applicable) with interest accrued to (but excluding) the date of redemption (such interest subject, in the case of Index Linked Interest Notes, to adjustment in accordance with Condition 5(a)(ii) or Condition 5(b)(ii), as applicable).

(ii) HICP Linked Notes

In the case of HICP Linked Notes, if an Early Termination Event has occurred pursuant to Condition 5(b)(iii)(C)(II), the Issuer will, upon giving not less than 30 nor more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), redeem all, but not some only, of the Notes at their Early Redemption Amount referred to in paragraph (g) below together (if applicable) with interest accrued to (but excluding) the date of redemption (such interest subject, in the case of Index Linked Interest Notes, to adjustment in accordance with Condition 5(a)(ii) or Condition 5(b)(ii), as applicable).

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

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

(i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee and to the Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms (subject, in the case of Index Linked Redemption Notes, to adjustment in accordance with Condition 5(a)(ii) or Condition 5(b)(ii), as applicable) together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date (such interest subject, in the case of Index Linked Interest Notes, to adjustment in accordance with Condition 5(a)(ii) or Condition 5(b)(ii), as applicable). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (d) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

(e) *Redemption at the option of the Noteholders (Investor Put) and exercise of Noteholders' rights*

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in the applicable Final Terms (subject, in the case of Index Linked Redemption Notes, to adjustment in accordance with Condition 5(a)(ii) or Condition 5(b)(ii), as applicable) together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date (such interest subject, in the case of Index Linked Interest Notes, to adjustment in accordance with Condition 5(a)(ii) or Condition 5(b)(ii), as applicable).

(f) *Redemption at the option of the Noteholders on a Restructuring Event*

(i) (a) If, at any time while any of the Notes remains outstanding, a Restructuring Event (as defined below) occurs and prior to the commencement of or during the Restructuring Period (as defined below):

(A) an independent financial adviser (as described below) shall have certified in writing to the Trustee that such Restructuring Event will not be or is not, in its opinion, materially prejudicial to the interests of the Noteholders; or

(B) if there are Rated Securities (as defined below), each Rating Agency (as defined below) that at such time has assigned a current rating to the Rated Securities confirms in writing to the Trustee that it will not be withdrawing or reducing the then current rating assigned to the Rated Securities by it 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 Agency shall have already rated the Rated Securities below investment grade (as described above), the rating will not be lowered by one full rating category or more, in each case as a result, in whole or in part, of any event or circumstance comprised in or arising as a result of the applicable Restructuring Event,

the following provisions of this Condition 7(f) shall cease to have any further effect in relation to such Restructuring Event.

(b) If, at any time while any of the Notes remains outstanding, a Restructuring Event occurs and (subject to Condition 7(f)(i)(a)):

(A) within the Restructuring Period, either:

(i) if at the time such Restructuring Event occurs there are Rated Securities, a Rating Downgrade (as defined below) in respect of such Restructuring Event also occurs; or

(ii) if at such time there are no Rated Securities, a Negative Rating Event (as defined below) in respect of such Restructuring Event also occurs; and

(B) an independent financial adviser shall have certified in writing to the Trustee that such Restructuring Event is, in its opinion, materially prejudicial to the interests of the Noteholders (a "**Negative Certification**"),

then, unless at any time the Issuer shall have given notice under Condition 7(b) or 7(d) (if applicable) or the holder shall have given notice under Condition 7(e) (if applicable), the holder of each Note will, upon the giving of a Put Event Notice (as defined below), have the option (the "**Put Option**") to require the Issuer to redeem or, at the option of the Issuer, purchase (or procure the purchase of) that Note on the Put Date (as defined below), at its Optional Redemption Amount specified in the applicable Final Terms (subject, in the case of Index Linked Redemption Notes, to adjustment in accordance with Condition 5(a)(ii) or Condition 5(b)(ii), as applicable) together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Put Date (such interest subject, in the case of Index Linked Interest Notes, to adjustment in accordance with Condition 5(a)(ii) or Condition 5(b)(ii), as applicable).

A Restructuring Event shall be deemed not to be materially prejudicial to the interests of the Noteholders if, notwithstanding the occurrence of a Rating Downgrade or a Negative Rating Event, the rating assigned to the Rated Securities by any Rating Agency (as defined below) is subsequently increased to, or, as the case may be, there is assigned to the Notes or other unsecured and unsubordinated debt of the Issuer (or of any Subsidiary of the Issuer and which is guaranteed on an unsecured and unsubordinated basis by the Issuer) 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 prior to any Negative Certification being issued.

Any certification by an independent financial adviser as aforesaid as to whether or not, in its opinion, any Restructuring Event is materially prejudicial to the interests of the Noteholders shall, in the absence of manifest or proven error, be conclusive and binding on the Trustee, the Issuer and the Noteholders. The Issuer may, at any time, with the approval of the Trustee (such approval not to be unreasonably withheld or delayed) appoint an independent financial adviser for the purposes of this Condition 7(f). If, within five Business Days following the occurrence of a Rating Downgrade or a Negative Rating Event, as the case may be, in respect of a Restructuring Event, the Issuer shall not have appointed an independent financial adviser for the purposes of Condition 7(f)(i)(b)(B) and (if so required by the Trustee) the Trustee is indemnified to its satisfaction against the costs of such adviser, the Trustee may appoint an independent financial adviser for such purpose following consultation with the Issuer.

(ii) Promptly upon the Issuer becoming aware that a Put Event (as defined below) has occurred, and in any event not later than 14 days after the occurrence of a Put Event, the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding shall, give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 14 specifying the nature of the Put Event and the procedure for exercising the Put Option.

(iii) To exercise the Put Option, the holder of a Note must comply with the provisions of Condition 6(e). The applicable notice period for the purposes of Condition 6(e) shall be the period (the "**Put Period**") of 45 days after that on which a Put Event Notice is given. Subject to the relevant Noteholder having complied with Condition 6(e), the Issuer shall redeem or, at the option of the Issuer, purchase (or procure the purchase of) the relevant Note on the fifteenth day

after the date of expiry of the Put Period (the "**Put Date**") unless previously redeemed or purchased.

(iv) For the purposes of these Conditions:

(a) "**Distribution Services Area**" means the area specified as such in the distribution licence granted to the Issuer on 1 October 2001 under section 6(1)(c) of the Electricity Act 1989 (as amended by section 30 of the Utilities Act 2000), as of the date of such distribution licence.

(b) A "**Negative Rating Event**" shall be deemed to have occurred if (1) the Issuer does not, either prior to or not later than 14 days after the date of a Negative Certification in respect of the relevant Restructuring Event, seek, and thereupon use all reasonable endeavours to obtain, a rating of the Notes or any other unsecured and unsubordinated debt of the Issuer (or of any Subsidiary of the Issuer and which is guaranteed on an unsecured and unsubordinated basis by the Issuer) having an initial maturity of five years or more from a Rating Agency or (2) if it does so seek and use such endeavours, it is unable, as a result of such Restructuring Event, to obtain such a rating of at least investment grade (BBB-/Baa3, or their respective equivalents for the time being).

(c) A "**Put Event**" occurs on the date of the last to occur of (1) a Restructuring Event, (2) either a Rating Downgrade or, as the case may be, a Negative Rating Event and (3) the relevant Negative Certification.

(d) "**Rating Agency**" means Standard & Poor's Credit Market Services Europe Limited or any of its subsidiaries and their successors ("**Standard & Poor's**"), Moody**'**s Investors Service Limited or any of its subsidiaries and their successors ("**Moodys**") or Fitch Ratings Limited or any of its subsidiaries and their successors ("**Fitch**") or any rating agency substituted for any of them (or any permitted substitute of them) by the Issuer from time to time with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed).

(e) A "**Rating Downgrade**" shall be deemed to have occurred in respect of a Restructuring Event if the then current rating assigned to the Rated Securities by any Rating Agency (whether provided by a Rating Agency at the invitation of the Issuer or by its own volition) 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 Agency shall then have already rated the Rated Securities below investment grade (as described above), the rating is lowered one full rating category.

(f) "**Rated Securities**" means the Notes, if at any time and for so long as they have a rating from a Rating Agency, and otherwise any other unsecured and unsubordinated debt of the Issuer (or of any Subsidiary of the Issuer and which is guaranteed on an unsecured and unsubordinated basis by the Issuer) having an initial maturity of five years or more which is rated by a Rating Agency.

(g) "**Relevant Subsidiary**" means a wholly-owned Subsidiary of the Issuer or of another Relevant Subsidiary, that has executed a guarantee in respect of the Notes or has become a primary obligor under the Notes as contemplated in sub-paragraph (1) of the definition of "**Restructuring Event**".

(h) "**Restructuring Event**" means the occurrence of any one or more of the following events:

(1) the Issuer and/or any Relevant Subsidiary ceases to be authorised and empowered to distribute electricity in the whole or substantially the whole (determined in accordance with sub-paragraph (l) below) of the Distribution Services Area, except in circumstances where the Issuer and/or one or more Relevant Subsidiaries and/or one or more wholly-owned Subsidiaries of the Issuer or of a Relevant Subsidiary is so authorised and empowered and, in the case of a wholly-owned Subsidiary of the Issuer or of a Relevant Subsidiary, such wholly-owned Subsidiary either executes in favour of the Trustee an unconditional and irrevocable guarantee in respect of the Notes (jointly and severally where appropriate) in such form as the Trustee may require or has

become a primary obligor under the Notes (jointly and severally where appropriate) in accordance with Condition 16; or

(2) any modification (other than a modification which is of a formal, minor or technical nature) being made to the terms and conditions upon which the Issuer and/or any Relevant Subsidiary is authorised and empowered under relevant legislation to distribute electricity in the Distribution Services Area unless two Authorised Persons of the Issuer and/or two directors of the Relevant Subsidiary (as the case may be) have certified in good faith to the Trustee that the modified terms and conditions are not materially less favourable to the business of the Issuer or such Relevant Subsidiary (as the case may be);

(3) any legislation (whether primary or subordinate) is enacted which removes, qualifies or amends (other than an amendment which is of a formal, minor or technical nature) the duties of the Secretary of State for Trade and Industry (or any successor) and/or the Gas and Electricity Markets Authority (or any successor) under section 3A of the Electricity Act 1989 unless two Authorised Persons of the Issuer and/or two directors of the Relevant Subsidiary (as the case may be) have certified in good faith to the Trustee that such removal, qualification or amendment does not have a materially adverse effect on the financial condition of the Issuer or such Relevant Subsidiary (as the case may be).

(i) "**Restructuring Period**" means:

(A) if at the time a Restructuring Event occurs there are Rated Securities, the period of 90 days starting from and including the day on which that Restructuring Event occurs; or

(B) if at the time a Restructuring Event occurs there are no Rated Securities, the period starting from and including the day on which that Restructuring Event occurs and ending on the day 90 days following the later of (aa) the date (if any) on which the Issuer shall seek to obtain a rating as contemplated by the definition of Negative Rating Event; (bb) the expiry of the 14 days referred to in the definition of Negative Rating Event and (cc) the date on which a Negative Certification shall have been given to the Issuer in respect of that Restructuring Event.

(j) **"Subsidiary"** means a subsidiary within the meaning of section 1159 of the Companies Act 2006;

(k) A Rating Downgrade or a Negative Rating Event or a non-investment grade rating shall be deemed not to have occurred as a result or in respect of a Restructuring Event if the Rating Agency making the relevant reduction in rating or, where applicable, declining to assign a rating of at least investment grade as provided in this Condition 7(f) does not announce or publicly confirm or inform the Trustee in writing at its request that the reduction or, where applicable, declining to assign a rating of at least investment grade 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.

(l) The Issuer or any Relevant Subsidiary shall be deemed to have ceased to be authorised and empowered to distribute electricity in the whole or substantially the whole of the Distribution Services Area if at any time the Distribution Revenues (as defined below) in respect of the area within the Distribution Services Area in which the Issuer and each Relevant Subsidiary (taken together) are so authorised and empowered to distribute electricity are less than 90 per cent. of the Distribution Revenues in respect of the Distribution Services Area (or such part thereof in which the Issuer and/or any Relevant Subsidiary distributed electricity during the relevant period referred to in the definition of **"**Distribution Revenues**"**).

For the purposes of this subparagraph (l), "**Distribution Revenues**" means, at any time and in respect of any area, the aggregate gross revenues of the Issuer and each Relevant Subsidiary attributable to the distribution by it of electricity in that area in respect of the period for which audited financial statements of the Issuer and each Relevant

Subsidiary have at such time most recently been prepared and published, all as determined in accordance with the accounting principles, standards and practices on which the preparation of the relevant audited financial statements were based and those accounting policies which were used in the preparation of such audited financial statements.

The Trustee is under no obligation to ascertain whether a Restructuring Event, a Negative Rating Event or any event which could lead to the occurrence of or could constitute a Restructuring Event has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Restructuring Event, Negative Rating Event or other such event has occurred. In determining whether or not a Restructuring Event has occurred, the Trustee shall be entitled to rely solely on an opinion given in a certificate signed by two Authorised Persons of the Issuer.

(g) *Early Redemption Amounts*

For the purpose of Condition 7(b) above and Condition 7(c) above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(i) in the case of a Note (other than an Index Linked Note) with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of a Note (other than a Zero Coupon Note or an Index Linked Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(iii) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

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

where:

"**RP**" means the Reference Price;

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

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

(iv) in the case of an Index Linked Note, at its nominal amount (but subject to adjustment in accordance with Condition 5(a)(ii)or Condition 5(b)(ii), as applicable).

(h) *Purchases*

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

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased pursuant to paragraph (h) above (together with all unmatured Coupons and Talons

cancelled therewith) and surrendered for cancellation shall be forwarded to the Agent and cannot be reissued or resold.

(j) *Late payment on Zero Coupon Notes*

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

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

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

(a) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(f)); or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) to, or to a third party on behalf of, a holder who, being entitled to avoid being liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority, fails to make such a declaration or claim; or

(e) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in another Member State of the European Union.

As used herein:

(i) "**Tax Jurisdiction**" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax; and

(ii) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

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

10. EVENTS OF DEFAULT AND ENFORCEMENT

(a) *Events of Default*

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured to its satisfaction), (but in the case of the happening of any of the events described in paragraphs (ii), (iii) and (v) to (viii) inclusive below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall have occurred:

(i) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 14 days in the case of principal and 21 days in the case of interest or the Issuer, having become obliged to redeem, purchase or procure the purchase of (as the case may be) any Notes pursuant to Condition 7(f) fails to do so within a period of 14 days of having become so obliged; or

(ii) if the Issuer fails to perform or observe any of its other obligations, covenants, conditions or provisions under the Notes or the Trust Deed and (except where the Trustee shall have certified to the Issuer in writing that it considers such failure to be incapable of remedy in which case no such notice or continuation as is hereinafter mentioned will be required) the failure continues for the period of 60 days (or such longer period as the Trustee may in its absolute discretion permit) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(iii) if (A) any other indebtedness for borrowed money of the Issuer or any Principal Subsidiary becomes due and repayable prior to its stated maturity by reason of an event of default or (B) any such indebtedness for borrowed money is not paid when due or, as the case may be, within any applicable grace period (as originally provided) or (C) the Issuer or any Principal Subsidiary fails to pay when due (or, as the case may be, within any originally applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any indebtedness for borrowed money of any person or (D) any security given by the Issuer or any Principal Subsidiary for any indebtedness for borrowed money of any person or any guarantee or indemnity of indebtedness for borrowed money of any person becomes enforceable by reason of default in relation thereto and steps are taken to enforce such security save in any such case where there is a bona fide dispute as to whether the relevant indebtedness for borrowed money or any such guarantee or indemnity as aforesaid shall be due and payable, provided that the aggregate amount of the relevant indebtedness for borrowed money in respect of which any one or more of the events mentioned above in this sub-paragraph (iii) has or have occurred equals or exceeds whichever is the greater of **£**20,000,000 or its equivalent in other currencies (as determined by the Trustee) and two per cent. of the Capital and Reserves, and for the purposes of this subparagraph (iii), "**indebtedness for borrowed money**" shall exclude Non-recourse Indebtedness; or

(iv) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, save for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or

(v) if any order shall be made by any competent court or any resolution shall be passed for the winding up or dissolution of a Principal Subsidiary, save for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (i) not involving or arising out of the insolvency of such Principal Subsidiary and under which all the surplus assets of such Principal Subsidiary are transferred to the Issuer or any of its other Subsidiaries (other than an Excluded Subsidiary) or (ii) the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or

(vi) if the Issuer or any Principal Subsidiary shall cease to carry on the whole or substantially the whole of its business, save, in the case of a Principal Subsidiary, in each case for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (A) not involving or arising out of the insolvency of such Principal Subsidiary and under which all or substantially all of its assets are transferred to another member of the Group (other than an Excluded Subsidiary) or to a transferee which is, or immediately upon such transfer becomes, a Principal Subsidiary or (B) under which all or substantially all of its assets are transferred to a third party or parties (whether associates or not) for full consideration by the Issuer or a Principal Subsidiary on an arm's length basis or (C) the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or

(vii) if the Issuer or any Principal Subsidiary shall suspend or shall threaten to suspend payment of its debts generally or shall be declared or adjudicated by a competent court to be unable, or shall admit in writing its inability, to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986) as they fall due, or shall be adjudicated or found insolvent by a competent court or shall enter into any composition or other similar arrangement with its creditors under section 1 of the Insolvency Act 1986; or

(viii) if a receiver, administrative receiver, administrator or other similar official shall be appointed in relation to the Issuer or any Principal Subsidiary or in relation to the whole or a substantial part of the undertaking or assets of any of them or a distress, execution or other process shall be levied or enforced upon or sued out against, or an encumbrancer shall take possession of, the whole or a substantial part of the assets of any of them and in any of the foregoing cases it or he shall not be paid out or discharged within 90 days (or such longer period as the Trustee may in its absolute discretion permit).

For the purposes of sub-paragraph (vii) above, section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for "£750" there was substituted "£250,000" or such higher figure as the Gas and Electricity Markets Authority (or any successor) may from time to time determine by notice in writing to the Secretary of State for Trade and Industry and the Issuer.

Neither the Issuer nor any Principal Subsidiary shall be deemed to be unable to pay its debts for the purposes of sub-paragraph (vii) above if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1986 is being contested in good faith by the Issuer or the relevant Principal Subsidiary with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period (if any) as may be stated in any notice given by the Trustee under this Condition 10(a).

(b) *Enforcement*

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

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

(c) *Definitions*

For the purposes of these Conditions:

"**Capital and Reserves**" means the aggregate of:

(i) the amount paid up or credited as paid up on the share capital of the Issuer; and

(ii) the total of the capital, revaluation and revenue reserves of the Group (as defined below), including any share premium account, capital redemption reserve and credit balance on the profit and loss account, but excluding sums set aside for taxation and amounts attributable to outside shareholders in Subsidiary Undertakings (as defined below) and deducting any debit balance on the profit and loss account,

all as shown in the then latest audited consolidated balance sheet and profit and loss account of the Group prepared in accordance with the historical cost convention (as modified by the revaluation of certain fixed assets) for the purposes of the Companies Act 2006, but adjusted as may be necessary in respect of any variation in the paid up share capital or share premium account of the Issuer since the date of that balance sheet and further adjusted as may be necessary to reflect any change since the date of that balance sheet in the Subsidiary Undertakings comprising the Group and/or as the Auditors (as defined in the Trust Deed) may consider appropriate.

A report by the Auditors as to the amount of the Capital and Reserves at any given time shall, in the absence of manifest or proven error, be conclusive and binding on all parties;

"**Group**" means the Issuer and its Subsidiary Undertakings and "**member of the Group**" shall be construed accordingly;

"**Principal Subsidiary**" at any time shall mean each Subsidiary of the Issuer (not being an Excluded Subsidiary or any other Subsidiary of the Issuer whose only indebtedness for borrowed money is Non-recourse Indebtedness):

(i) whose (a) profits on ordinary activities before tax or (b) gross assets, in each case attributable to the Issuer, represent 20 per cent. or more of the consolidated profits on ordinary activities before tax of the Group or, as the case may be, consolidated gross assets of the Group, in each case as calculated by reference to the then latest audited financial statements of such Subsidiary (consolidated in the case of a company which itself has Subsidiaries) and the then latest audited consolidated financial statements of the Group; or

(ii) to which is transferred all or substantially all of the business, undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Principal Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary under the provisions of this subparagraph (ii), upon publication of its next audited financial statements (but without prejudice to the provisions of sub-paragraph (i) above).

all as more fully defined in the Trust Deed, and a report by the Auditors that, in their opinion, a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest or proven error, be conclusive and binding on all parties;

"**Excluded Subsidiary**" means any Subsidiary of the Issuer (other than a Relevant Subsidiary):

(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 indebtedness for borrowed money 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 Group (other than another Excluded Subsidiary) in respect of the repayment thereof, except as expressly referred to in sub-paragraph (ii)(3) of the definition of Non-recourse Indebtedness below; and

(iii) which has been designated as such by the Issuer by written notice to the Trustee, provided that the Issuer may give written notice to the Trustee at any time that any Excluded Subsidiary is no longer an Excluded Subsidiary, whereupon it shall cease to be an Excluded Subsidiary;

"**indebtedness for borrowed money**" means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit, or (iii) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash;

"**Non-recourse Indebtedness**" means any indebtedness for borrowed money:

(i) which is incurred by an Excluded Subsidiary; or

(ii) in respect of which the person or persons to whom any such indebtedness for borrowed money is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group (other than an Excluded Subsidiary) for the repayment thereof other than:

(1) recourse to such borrower for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from any specific asset or assets over or in respect of which security has been granted in respect of such indebtedness for borrowed money; and/or

(2) recourse to such borrower for the purpose only of enabling amounts to be claimed in respect of such indebtedness for borrowed money in an enforcement of any encumbrance given by such borrower over any such asset or assets or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such indebtedness for borrowed money, provided that (aa) the extent of such recourse to such borrower is limited solely to the amount of any recoveries made on any such enforcement, and (bb) such person or persons is/are not entitled, by virtue of any right or claim arising out of or in connection with such indebtedness for borrowed money, to commence proceedings for the winding up or dissolution of the borrower or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the borrower or any of its assets (save for the assets the subject of such encumbrance); and/or

(3) recourse to such borrower generally, or directly or indirectly to a member of the Group, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof or any obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition) by the person against whom such recourse is available; and

"**Subsidiary Undertaking**" shall have the meaning given to it by section 1162 of the Companies Act 2006 (but, in relation to the Issuer, shall exclude any undertaking (as defined in the Companies Act 2006) whose accounts are not included in the then latest published audited consolidated accounts of the Issuer, or (in the case of an undertaking which has first become a subsidiary undertaking of a member of the Group since the date as at which any such audited accounts were prepared) would not have been so included or consolidated if it had become so on or before that date).

11. REPLACEMENT OF NOTES, COUPONS AND TALONS

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

12. PAYING AGENTS

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

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

(a) there will at all times be an Agent and, in the case of Index Linked Notes, a Calculation Agent; and

(b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(c) to the extent not satisfied by (a) or (b) above, the Issuer will ensure that it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

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

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

13. EXCHANGE OF TALONS

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

14. NOTICES

All notices regarding the Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in the United Kingdom. It is expected that such publication will be made in the Financial Times. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

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

15. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if requested in writing by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the

opinion of the Trustee, is proven. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

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

16. SUBSTITUTION

The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute or substitutes under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of any Subsidiary or Subsidiaries (other than an Excluded Subsidiary) of the Issuer or any company of which the Issuer is a Subsidiary or any other Subsidiary of such company, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution, and (c) compliance with certain other conditions set out in the Trust Deed.

17. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

18. FURTHER ISSUES

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

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW

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

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer to refinance existing indebtedness and otherwise for its general corporate purposes, which include making a profit. If, in respect of an issue of Notes which are derivative securities for the purposes of Article 15 of Commission Regulation No. 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUERS

History

The Issuers are the regulated monopoly distributors of electricity in the East and South East of England including London. On 29 October 2010 the Issuers, along with some non regulated assets, were acquired from EDF Energy plc by a consortium led by the Cheung Kong Group. The Issuers are wholly owned subsidiaries of UK Power Networks Holdings Limited ("**UK Power Networks**") whose registered number is 07290590 and whose registered office is Newington House, 237 Southwark Bridge Road, London, SE1 6NP. In turn, UK Power Networks is owned by the members of the consortium led by the Cheung Kong Group. Its shareholders and their shareholdings are set out in the group structure diagram at page 75 of this Offering Circular.

Description of Principal Activity

The Issuers' principal activity is the distribution of electricity to industrial, commercial and domestic customers within their regulated area. The Issuers operate the three contiguous licensed distribution networks in London, the East of England and the South-East of England. Four principal companies are engaged in the distribution networks business, being the Issuers and UK Power Networks (Operations) Limited ("**UKPNO**"). The Issuers hold distribution licences, while UKPNO is a service company providing services to the Issuers. As required by Ofgem in its regulation of the Issuers, the Issuers and UKPNO are managed and operated as separate legal entities.

The Issuers together distribute electricity to around 8.1 million customers. The distribution area covers 29,250 square kilometres over a key region including London. The networks operated by the Issuers (the "**Networks**") have 46,500 kilometres of overhead lines and 139,000 kilometres of underground cables: 75 per cent. of the Networks is comprised of underground cables.

Regulation applying to the Issuers

The distribution licences held by the Issuers authorise the licensees to distribute electricity for the purpose of providing a supply in Great Britain with additional obligations under Section B of the distribution licence for any premises in the distribution services area specified in the distribution licence. Each licence exists in perpetuity, and can only be revoked by Ofgem (giving no less than 25 years' notice) or by breach of licence. Failure of an Issuer to comply with its licence could lead to an enforcement order being issued by Ofgem. Ofgem has the power to levy fines of up to 10 per cent. of turnover for any breach. In certain circumstances such as insolvency, the distribution licence itself may be revoked.

Under the Electricity Act 1989 (as amended), an electricity distributor has a duty, except in certain circumstances, to make a connection between its distribution system and any premises within the designated area for the purpose of enabling electricity to be conveyed to or from the premises and to make a connection between its distribution system and any distribution system of another authorised distributor, for the purpose of enabling electricity to be conveyed to or from that other system.

Each Issuer, in effect, constitutes a regional monopoly and its operations are regulated under its distribution licence. Each Issuer is subject to controls on the revenue it can charge and the quality of supply it must provide, and is provided with, economic incentives to minimise its costs and improve the service it provides to its customers.

Distribution Price Controls

Distribution price controls (each a "**Distribution Price Control**") are intended to provide companies with sufficient revenues to allow them to finance their operating costs and capital investment. In addition to caps on revenue the price controls also include targets for outputs including customer satisfaction and overall quality of network performance based upon the average number and duration of supply outages experienced by customers. Companies can be either rewarded or penalised for exceeding or failing these targets.

The charges made for the use of the distribution network are regulated on the basis of the RPI plus/minus X formula. The RPI is a measure of inflation and the particular index used measures the percentage change in the RPI in the six month period of July to December in the previous year compared to the level in the prior year.

The X formula is established by Ofgem at the start of the review period and reflects the profile of costs going forward whilst ensuring an appropriate trend for the end consumer. This formula determines the maximum revenue that the distribution company is entitled to charge in any one year.

It is then for each of the Issuers to develop a charging regime to be approved by Ofgem which reasonably recovers the allowed revenue from customers. Historically, these tariffs have been a matter for each company

individually but Ofgem has implemented licence conditions which compel distributors to work together and set tariffs based upon a common methodology.

The Distribution Price Control formula permits the Issuers within a review period to retain increases in operating profit due to efficient operations and the reduction of expenses. It also allows companies to increase or decrease their prices and hence revenues based upon key output measures included within the formula i.e. network performance, customer service and network losses.

The current distribution price controls (a distribution price control being referred to herein as "**DPCR**" and the current DPCR being "**DPCR5**") were agreed with Ofgem in January 2010 for the period from 1 April 2010 to 31 March 2015 and result in increasing prices for the distribution of electricity over that period. In 2010/11 EPN, LPN and SPN were allowed to increase their base revenues by 5 per cent., 7 per cent. and 4 per cent. respectively compared to the 2009/10 actual revenue. Over the entire DPCR5 period the compound average growth rates for EPN, LPN and SPN are 6 per cent., 10 per cent. and 7 per cent. respectively compared to the 2009/10 actual revenue.

Issuers must also meet the Guaranteed Standards of Performance, which are set by Ofgem to ensure an appropriate level of quality of supply. If a company fails to provide the level of service specified it must make a fixed payment to the end user affected.

In March 2008 Ofgem launched a comprehensive review of the framework used to regulate gas and electricity networks (the "**RPI-X@20 Review**"). The final conclusions of the RPI-X@20 Review were published in an Ofgem decision document on 4 October 2010. The outcome of the RPIX@20 Review (known as RIIO) reinforced the robustness and stability of the regulatory framework under which the Issuers are regulated with the majority of proposals being drawn from DPCR5 and being proposed for other energy infrastructure regulation ie:

(i) the requirement for companies to engage with their stakeholders in developing robust plans;

(ii) continuation with ex-ante price controls that are output led and provide transparent upfront and symmetric incentives;

(iii) commitment to continue to use RPI (whilst monitoring the case for CPI) and

(iv) introduction of time limited innovation stimulus across all wider networks to successfully implement new commercial and charging arrangements to help deliver a sustainable energy sector.

RIIO is now being used for price controls for transmission (RIIO-T1) and gas distribution (RIIO-GD1) and which started on 1 April 2013.

Key changes that have been proposed for Issuers in the next price control period from 2015 onwards (now called RIIO-ED1) and beyond include:

(i) a move to 8year price controls with a midterm review restricted to outputs and whether they remain appropriate;

(ii) a proposal to align regulatory and physical asset lives on new assets purchased after 2015, but with a commitment to "appropriately targeted transition arrangements" ensuring that efficient network companies remain able to finance their regulated activities;

(iii) the possibility of a fast track price control review scheme for those companies with a track record of delivery and strong business plans; and

(iv) more clarity around the cost of capital and capitalisation policies at the beginning of the review period as well as recognising the role of equity in financing network businesses, plus a move to a rolling cost of debt allowance based on trailing averages of corporate bond indices.

Ofgem published the draft determinations for the RIIO-ED1 slow track companies, including EPN, LPN and SPN on 30 July 2014. The final determinations are expected to be published at the end of November 2014. The 2015/16 allowed revenue for EPN, LPN and SPN is fixed by the draft determinations and will decrease by 5.7 per cent., 15.4 per cent. and 13.4 per cent. respectively compared to the 2014/15 actual revenue. The revenues for the periods 2016/17 and 2022/23 will be fixed in the final determination.

Companies involved in operating the Networks

Eastern Power Networks plc

See "Description of Eastern Power Networks plc" at page 76 below;

London Power Networks plc

See "Description of London Power Networks plc" at page 78 below;

South Eastern Power Networks plc

See "Description of South Eastern Power Networks plc" at page 79 below.

UKPNO

UKPNO is a wholly-owned subsidiary of UK Power Networks and carries out the management and operation of network assets owned by EPN, LPN and SPN. UKPNO was formed as a cost control and asset management initiative aimed at reducing cost and increasing efficiency in network services by exploiting economies of scale and the adoption of best practice methods.

Financing

The borrowings of UK Power Networks were £4,706 million at 31 December 2013. This figure includes debt in respect of both the regulated and the non-regulated businesses owned by UK Power Networks. Liquidity in the regulated business is maintained by committed credit lines totalling £500 million at 31 December 2013 which was undrawn at 31 December 2013.

A number of derivative contracts exist in EPN, LPN and SPN to manage interest rate and inflation risk exposure.

Additionally, as at 31 December 2013, EPN had bonds outstanding in an aggregate principal amount of £1,300 million with maturities falling between 2021 and 2036; LPN had bonds outstanding in an aggregate principal amount of £1,000 million with maturities falling between 2016 and 2032; and SPN had bonds outstanding in an aggregate principal amount of £850 million with maturities falling between 2023 and 2031.

The majority of cash flows are denominated in pounds sterling. Cash flows denominated in other currencies are subject to hedging, when considered material to limit exposure to exchange rate fluctuations.

Pension schemes

UK Power Networks sponsors three pension schemes:

1. the UK Power Networks Personal Pension Plan – joiners can opt for a contribution rate of between 3 per cent. to 5 per cent. of their salary with the employer making double this contribution;

2. the UK Power Networks Pension Scheme **(**"**UKPNPS**"**)** – formerly the Networks Section of the EDF Energy Pension Scheme **(**"**EEPS**"**)** which was established in March 2004 and includes a number of legacy pension schemes from the London Electricity and SEEBOARD groups. Membership of EEPS is closed to new members; and

3. the UK Power Networks Group of the Electricity Supply Pension Scheme **(**"**ESPS**"**)** (the "**UKPN Group**") – formerly the Networks Section of the EDF Energy Group of the ESPS, which was created in September 2005 as a result of the merger of the London Electricity and SEEBOARD groups of the ESPS. The UK Power Networks Group is closed to new members.

Schemes 2 and 3 are final salary pension arrangements and they both undertook formal triennial actuarial valuations as at 31 March 2013 in line with UK funding requirements. This showed a total deficit of £910 million. To repair this deficit, UK Power Networks has agreed recovery plans in which it would make additional payments over the next 12 years for Scheme 2 and 10 years for Scheme 3.

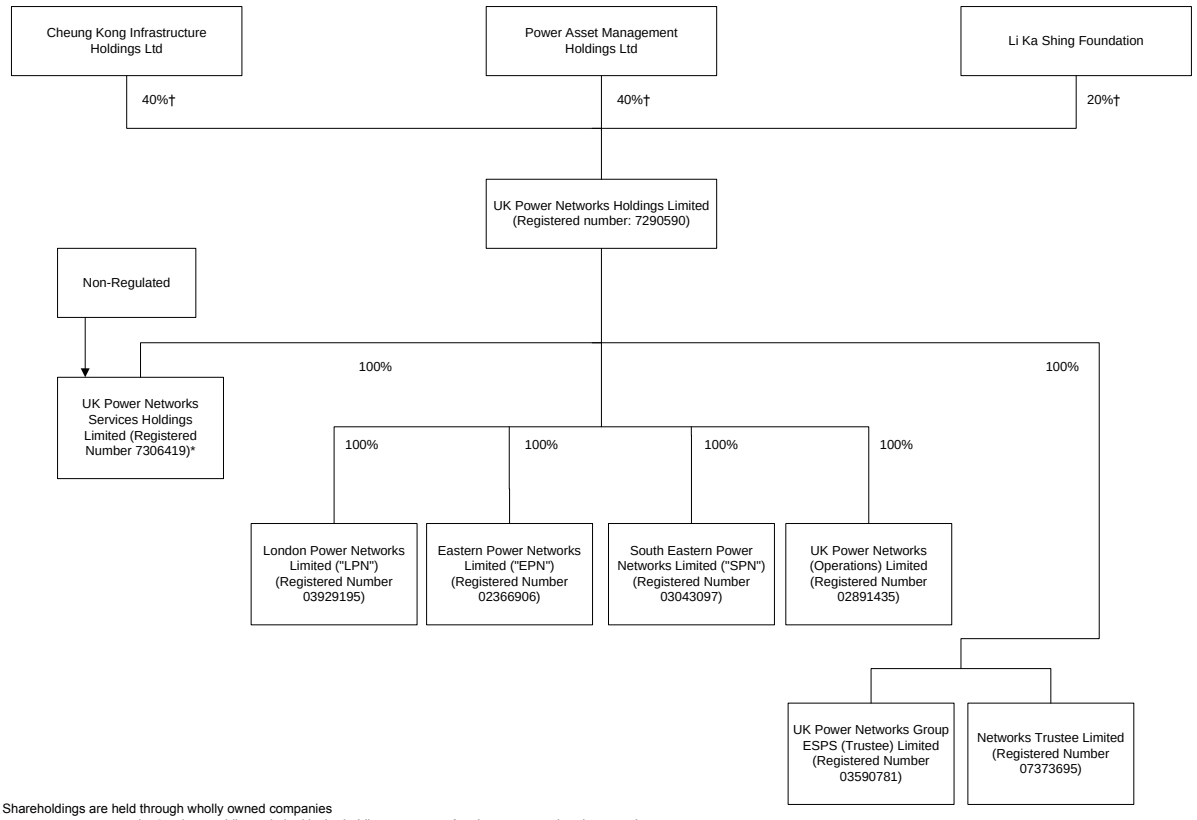
It should be noted that for both Schemes there is an additional allowance for investment outperformance to help recover the deficit. The allowance for asset outperformance is 0.5 per cent. and is the first time that this assumption has been made in the Scheme recovery plans.

From an accounting perspective the funding position for each pension scheme under Financial Reporting Standard 17 Retirement Benefits as at 31 December 2013 is as follows:

- the UK Power Networks Group deficit was £466.0 million at 31 December 2013, compared to £495.0 million at 31 December 2012. The movement over the period reflects the fall in equity values and an increase in the schemes liabilities due to future cash flows being discounted at a lower discount rate reflecting the reduction in yields on government bonds; and

- at 31 December 2013 UKPNPS was in deficit by £26.0 million compared to £16.0 million deficit at 31 December 2012.

Group structure of UK Power Networks and material subsidiaries:



† Shareholdings are held through wholly owned companies
* Note: UK Power Networks Services Holdings Limited is the holding company of various non-regulated companies

The shareholders of UK Power Networks have entered into a shareholders agreement and related documents governing the exercise of their rights in UK Power Networks.

DESCRIPTION OF EASTERN POWER NETWORKS PLC

EPN was incorporated under the name Eastern Electricity Limited with limited liability in England and Wales under the Companies Act 1985 on 1 April 1989. The name was changed to EPN Distribution Limited and the company registered as a public limited company on 16 April 2003 to become known as EPN Distribution plc. Prior to 1 October 2001 (before the transfer scheme under the Utilities Act 2000 became effective) it held a Public Electricity Supply Licence to operate an electricity distribution and supply business in an authorised supply area covering parts of North London and both rural and urban areas of Eastern England.

After the transfer scheme became effective, EPN retained its distribution business while other non-distribution activities, including supply, were transferred by TXU Europe Group PLC ("**TXU**") (EPN's owner at the time) to other entities within the TXU group. EPN was acquired by EDF Energy from TXU on 18 January 2002. EPN Distribution plc was renamed EDF Energy Networks plc on 30 June 2003. On 29 October 2010 EPN was acquired by a consortium led by the Cheung Kong Group and renamed Eastern Power Networks plc.

EPN derives nearly all its income from licensed regulated monopoly activities.

As at the date of this Offering Circular, EPN holds a 9.77 per cent. stake in Electralink Limited, an industry body that provides data transfer services to network companies. EPN also holds a 2.78 per cent. stake in Gemserv, Limited ("**Gemserv"**) a provider of specialist consultancy services to the utility sector. EPN has no other interests.

EPN holds a distribution licence covering a distribution services area of approximately 20,300 square kilometres in parts of North London and both rural and urban areas of Eastern England. It owns, operates and manages UK Power Networks' public electricity network assets in that area and distributes approximately 35TWh of electricity annually, to over 3.5 million supply customers. Virtually all electricity consumed within EPN's service area is distributed over the public network irrespective of the supplier of that electricity. This provides EPN with a stable distribution volume unaffected by choice of supplier.

Following its acquisition by UK Power Networks EPN re-registered as a private limited company on 24 January 2011 before re-registering as a public limited company on 31 March 2011.

BOARD OF DIRECTORS

The Directors of EPN and their functions are listed below:

Name	**Function**
B Scarsella	CEO and Director
A Hunter	Director
N McGee	Director
H Lam Kam	Director
K Ham Chan	Director
L Shun Chan	Director
C Chao Chung Tsai	Director
H Shan Chong	Director
C J D Clarke	Director
Mei Fan Ngan	Director
Duncan Nicholas Macrae	Director
PR Jeffrey	Director
C Tin Wan	Director

The Directors of EPN, other than those mentioned below, have their business address at Newington House, 237 Southwark Bridge Road, London, SE1 6NP.

Messrs. C Chao Chung Tsai, K Ham Chan and L Shun Chan have their business address at 44 Kennedy Road, Hong Kong, China.

There are no potential conflicts of interest between the private interests or other duties of the Directors of EPN and their duties to EPN.

DESCRIPTION OF LONDON POWER NETWORKS PLC

LPN was incorporated under the name London Power Networks Limited with limited liability in England and Wales under the Companies Act 1985 on 15 February 2000. It was registered as a public limited company on 18 September 2001, to become London Power Networks plc. London Power Networks plc was renamed EDF Energy Networks (LPN) plc on 30 June 2003. On 29 October 2010 LPN was acquired by a consortium led by the Cheung Kong Group and renamed London Power Networks plc. LPN derives nearly all its income from licensed regulated monopoly activities.

As at the date of this Offering Circular, LPN holds a 7.49 per cent. stake in Electralink Limited, an industry body that provides data transfer services to network companies. LPN also holds a 2.78 per cent. stake in Gemserv, a provider of specialist consultancy services to the utility sector. LPN has no other interests.

LPN owns, operates and manages licensed electricity network assets in most of the Greater London area.

Almost the entire network is underground, making it more stable and reliable compared with primarily overhead networks.

LPN distributes approximately 29TWh of electricity annually to more than 2.2 million domestic and commercial supply customers, including financial institutions, offices, shops and government departments in the Greater London area. Virtually all electricity consumed within LPN's service area is distributed over the public network, irrespective of the supplier of that electricity. This provides LPN with a stable distribution volume unaffected by choice of supplier.

Following its acquisition by UK Power Networks LPN re-registered as a private limited company on 24 January 2011 before re-registering as a public limited company on 31 March 2011.

BOARD OF DIRECTORS

The Directors of LPN and their functions are listed below:

Executive Directors	**Position**
B Scarsella	CEO and Director
A Hunter	Director
N McGee	Director
H Lam Kam	Director
K Ham Chan	Director
L Shun Chan	Director
C Chao Chung Tsai	Director
H Shan Chong	Director
C J D Clarke	Director
Mei Fan Ngan	Director
Duncan Nicholas Macrae	Director
PR Jeffrey	Director
C Tin Wan	Director

The Directors of LPN, other than those mentioned below, have their business address at Newington House, 237 Southwark Bridge Road, London, SE1 6NP.

Messrs. C Chao Chung Tsai, K Ham Chan and L Shun Chan have their business address at 44 Kennedy Road, Hong Kong, China.

There are no potential conflicts of interest between the private interests or other duties of the Directors of LPN and their duties to LPN.

DESCRIPTION OF SOUTH EASTERN POWER NETWORKS PLC

SPN was incorporated under the name Home Gas Company Limited with limited liability in England and Wales under the Companies Act 1985 on 7 April 1995. The name was changed to SPN Limited and the company registered as a public limited company on 6 June 2001 to become known as SPN plc. SPN does not have any subsidiary undertakings or associated company undertakings. SPN plc was renamed EDF Energy Networks (SPN) plc on 30 June 2003. On 1 October 2001, SPN was granted an electricity distribution licence under the Utilities Act 2000. On 29 October 2010 SPN was acquired by a consortium led by the Cheung Kong Group and renamed South Eastern Power Networks plc. SPN derives nearly all of its income from licensed regulated monopoly activities.

As at the date of this Offering Circular, SPN holds a 7.49 per cent. stake in Electralink Limited, an industry body that provides data transfer services to network companies. SPN also holds a 2.78 per cent. stake in Gemserv, a provider of specialist consultancy services to the utility sector. SPN has no other interests.

SPN holds a distribution licence covering a distribution services area of approximately 8,300 square kilometres which covers the county of Kent and the majority of each of the counties of Sussex and Surrey in the UK. SPN owns, operates and maintains the public distribution network assets in that area and distributes approximately 21TWh of electricity annually to 2.2 million customer connections.

The primary activity of SPN is the distribution of electricity on behalf of suppliers from the high voltage national transmission system to end users connected within SPN's service area. Virtually all electricity consumed within SPN's service area is distributed over the public network, irrespective of the supplier of that electricity. This provides SPN with a stable distribution volume unaffected by choice of supplier.

Following its acquisition by UK Power Networks SPN re-registered as a private limited company on 24 January 2011 before re-registering as a public limited company on 31 March 2011.

BOARD OF DIRECTORS

The Directors of SPN and their functions are listed below:

Executive Directors	**Position**
B Scarsella	CEO and Director
A Hunter	Director
N McGee	Director
H Lam Kam	Director
K Ham Chan	Director
L Shun Chan	Director
C Chao Chung Tsai	Director
H Shan Chong	Director
C J D Clarke	Director
Mei Fan Ngan	Director
Duncan Nicholas Macrae	Director
PR Jeffrey	Director
C Tin Wan	Director

The Directors of SPN, other than those mentioned below, have their business address at Newington House, 237 Southwark Bridge Road, London, SE1 6NP.

Messrs. C Chao Chung Tsai, K Ham Chan and L Shun Chan have their business address at 44 Kennedy Road, Hong Kong, China.

There are no potential conflicts of interest between the private interests or other duties of the Directors of SPN and their duties to SPN.

TAXATION

UK Taxation

*The following applies only to persons who are the absolute beneficial owners of Notes and is a summary of each Issuer's understanding of current United Kingdom law and published HM Revenue & Customs ("***HMRC***") practice relating to certain aspects of the taxation of interest in respect of the Notes. It does not necessarily apply where income is deemed for tax purposes to be the income of any other person. Some aspects do not apply to certain classes of person to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

A. Interest on the Notes

1. The Notes issued will constitute "quoted Eurobonds" provided 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 is a recognised stock exchange for these purposes. Under HMRC published practice, securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of, and in accordance with, the provisions of Part 6 of the Financial Services and Markets Act 2000) and are admitted to trading on the London Stock Exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction on account of United Kingdom tax.

   Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

   Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

   In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to the availability of other reliefs or to any direction to the contrary to make payments free of or at a reduced rate of withholding by HMRC under an applicable double taxation treaty.

2. HMRC has powers to obtain information and documents relating to the Notes, including in relation to issues of and other transactions in the Notes, interest, payments treated as interest and other payments derived from the Notes. This may include details of the beneficial owners of the Notes, of the persons for whom the Notes are held and of the persons to whom payments derived from the Notes are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Notes, persons who make, receive or are entitled to receive payments derived from the Notes and persons by or through whom interest and payments treated as interest are paid or credited. Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

B. Further United Kingdom Income Tax Issues

1. Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to United Kingdom income tax by direct assessment even where paid without withholding.

   However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not generally be chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom at all relevant times unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable or where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable. In such cases, subject to certain exemptions for interest received by certain categories of agent (such as some brokers and investment managers), tax may be

levied on the United Kingdom branch or agency or permanent establishment. The provisions of an applicable double taxation treaty may also be relevant for such Noteholders.

Noteholders should note that the provisions relating to additional amounts referred to in "*Terms of the Notes – Condition 8 Taxation*" above would not apply if HMRC sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However in such cases exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

2. Noteholders should note that Index Linked Notes may constitute "deeply discounted securities" for the purposes of Chapter 8 of Part 4 Income Tax (Trading and Other Income) Act 2005. In those circumstances, profits arising on disposal (including redemption or transfer) of the Notes by a Noteholder who is within the charge to United Kingdom income tax in respect of the Notes will generally be taxable as income with no account being taken of any costs incurred on the acquisition or disposal of the Notes.

Other Notes issued under the Programme (including in particular Zero Coupon Notes) may also constitute **"**deeply discounted securities**"** or Noteholders may otherwise be subject to United Kingdom income tax on profits arising on disposal.

C. EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The proposed financial transactions tax (the **"FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016.

The Commission's Proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA. The Issuer may be classified as an FFI.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the United Kingdom have entered into an agreement (the "**US-UK IGA**") based largely on the Model 1 IGA.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depositary or Common Safekeeper, given that each of the entities in the payment chain beginning with the Issuer and ending with the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the "**Programme Agreement**") dated 14 November 2014, agreed with the Issuers a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuers have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

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

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, it will offer and sell Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, only in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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

Public Offer Selling Restriction under the Prospectus Directive

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

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

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

For the purposes of this provision:

- the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;

- the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

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

(i) in relation to any Notes having a maturity of less than one year (a) 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 (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the relevant Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer; and

(iii) 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.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

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

Neither the relevant Issuer, the Trustee nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment and current update of the Programme and the issue of Notes (excluding Notes to be issued after the current update) have been duly authorised by resolutions of the Board of Directors of LPN passed on 6 December 2001, 3 April 2002, 15 March 2011 and 23 July 2012, of EPN passed on 7 May 2003, 15 March 2011 and 23 July 2012 and of SPN passed on 7 May 2003, 15 March 2011 and 23 July 2012 and by resolutions of a Committee of the Board of Directors of LPN passed on 20 May 2002, 20 May 2004, 1 December 2005, 16 April 2007, 11 June 2008, 23 October 2009, 14 April 2011, 25 September 2012 and 12 November 2014, of EPN passed on 7 May 2003, 20 May 2004, 1 December 2005, 16 April 2007, 11 June 2008, 23 October 2009 and by resolutions of a Sub-Committee passed on 14 April 2011, 25 September 2012 and 12 November 2014 and of SPN passed on 7 May 2003, 20 May 2004, 1 December 2005, 16 April 2007, 11 June 2008, 23 October 2009 and by resolutions of a Sub-Committee passed on 14 April 2011, 25 September 2012 and 12 November 2014.

Each issue of Notes under the Programme, to the extent not already done so, will be authorised by the Board of Directors of the relevant Issuer.

Listing of Notes

It is expected that each Tranche 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 Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme (other than in the case of Exempt Notes) to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Market. The listing of the Programme in respect of Notes (other than in the case of Exempt Notes) is expected to be granted on or around 19 November 2014.

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available from the registered office of each Issuer and from the specified office of the Paying Agents for the time being in London and Luxembourg:

(i) the Memorandum and Articles of Association of each Issuer;

(ii) the unconsolidated audited financial statements of EPN in respect of the financial years ended 31 December 2012 and 31 December 2013, in each case together with the audit reports prepared in connection therewith. EPN currently prepares audited unconsolidated financial statements on an annual basis;

(iii) the unconsolidated audited financial statements of LPN in respect of the financial years ended 31 December 2012 and 31 December 2013, in each case together with the audit reports prepared in connection therewith. LPN currently prepares audited unconsolidated financial statements on an annual basis;

(iv) the unconsolidated audited financial statements of SPN in respect of the financial years ended 31 December 2012 and 31 December 2013, in each case together with the audit reports prepared in connection therewith. SPN currently prepares audited unconsolidated financial statements on an annual basis;

(v) the most recently published audited annual financial statements of each Issuer. None of the Issuers prepare interim financial statements;

(vi) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;

(vii) a copy of this Offering Circular;

(viii) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

(ix) in the case of each issue of Notes admitted to trading on the Market and subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, this Offering Circular, each Final Terms relative to the Notes which are admitted to trading on the Market and each document incorporated by reference are also available at the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

Clearing Systems

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

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

Conditions for determining price

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

Significant or Material Change

There has been no significant change in the financial or trading position of any of the Issuers or of the Group and there has been no material adverse change in the prospects of any of the Issuers or of the Group since 31 December 2013.

Litigation

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

Auditors

The auditors of EPN, LPN and SPN are Deloitte LLP, Registered Auditors, who have audited, without qualification, in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board the financial statements of EPN, LPN and SPN for the financial years ended on 31 December 2012 and 31 December 2013.

The auditors of the Issuers have no material interest in any Issuer.

The audit report in respect of the financial years ended 31 December 2012 and 31 December 2013 for each of EPN, LPN and SPN contains the statement that such report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and that their audit work has been undertaken so that they might state to the company's members those matters they are required to state to them in an auditor's report and for no other purpose. Furthermore, it states that to the fullest extent permitted by law, such auditors do not accept or assume responsibility to anyone other than the company and the company's members as a body, for their audit work, for their report, or for the opinions they have formed.

Such a statement is recommended in recent guidance issued by the Institute of Chartered Accountants in England and Wales for inclusion in all Chapter 3 of Part 16 audit reports produced by audit firms.

Post-issuance information

The Issuers do not intend to provide any post-issuance information in relation to any issues of Notes.

Dealers transacting with the Issuers

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

Index Linked Notes

Information on RPI and HICP, including past and current levels, can be found at the following websites: www.statistics.gov.uk and www.ecb.int/stats/prices/hicp/html/index.en.html, respectively.

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