

# Anglian Water (Osprey) Financing Plc

(incorporated with limited liability in England and Wales with registered number 07476767)

£1,000,000,000 Guaranteed Secured Medium Term Note Programme unconditionally and irrevocably guaranteed by Osprey Acquisitions Limited

(incorporated with limited liability in England and Wales with registered number 05915896)

12 September 2016



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## Guaranteed Secured Medium Term Note Programme

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Under the Guaranteed Secured Medium Term Note Programme described in this Prospectus (the “**Programme**”), Anglian Water (Osprey) Financing Plc (the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time on or after the date of this Prospectus issue Guaranteed Secured Medium Term Notes guaranteed unconditionally and irrevocably by Osprey Acquisitions Limited (the “**Guaranteee**” and the “**Guarantor**”, respectively) (the “**Notes**”). The aggregate nominal amount of Notes outstanding will not at any time exceed £1,000,000,000 (or the equivalent in other currencies).

Application has been made to the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (the “**FSMA**”) (the “**UK Listing Authority**”) for Notes issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange Plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s Regulated Market (the “**Market**”). References in this Prospectus to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

Each Series (as defined in “*Overview of the Programme – Method of Issue*”) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “**temporary Global Note**”) or a permanent global note in bearer form (each a “**permanent Global Note**”). If the Global Notes are stated in the relevant Final Terms to be issued in new global note (“**NGN**”) form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”). Notes in registered form will be represented by registered certificates (each a “**Certificate**”), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered global certificates (“**Global Certificates**”). If a Global Certificate is held under the New Safekeeping Structure (the “**NSS**”), the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg.

Global notes which are not issued in NGN form (“**Classic Global Notes**” or “**CGNs**”) and Global Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg (the “**Common Depository**”).

The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “*Summary of Provisions Relating to the Notes while in Global Form*”.

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £1,000,000,000 (or the equivalent in other currencies at the date of issue).

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

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes (as defined in “*Overview of the Programme – Method of Issue*”) will be set out in the relevant Final Terms which will be listed on the London Stock Exchange and filed with the UK Listing Authority.

Each purchaser of a Note will be deemed, by its acceptance or purchase thereof, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of such Note, as described in this Prospectus, and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases (see “*Subscription and Sale*”).

Tranches of Notes to be issued under the Programme will be rated or unrated. 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.

Each Tranche of Notes is expected on issue to have the following credit ratings from the respective credit rating agencies below. The credit ratings will be specified in the relevant Final Terms.

Fitch	Moody’s
BB+	Ba3

The credit ratings included or referred to in this Prospectus for the purposes of Regulation (EC) No 1060/2009 on credit rating agencies (the “**CRA Regulation**”) will be issued by Fitch Ratings Ltd. (“**Fitch**”) and Moody’s Investors Service Limited (“**Moody’s**”) each of which is established in the European Union and registered under the CRA Regulation.

An investment in Notes under the Programme involves certain risks. Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” in this Prospectus.

### Arrangers

BNP PARIBAS  
Morgan Stanley

### Dealers

Barclays  
HSBC  
Morgan Stanley

BNP PARIBAS  
Lloyds Bank  
The Royal Bank of Scotland

The date of this Prospectus is 12 September 2016

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a Relevant Member State) (the “Prospectus Directive”) and its relevant implementing measures in England and Wales, and for the purpose of giving information with regard to the Issuer, the Guarantor and the Notes which, according to the particular nature of the Issuer, the Guarantor and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantor.

The Issuer and the Guarantor (the “Responsible Person(s)”) accept responsibility for the information contained in this Prospectus and each Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

Copies of the relevant Final Terms will be available from the registered office of the Issuer and the specified office set out below of the Paying Agents and (in the case of Notes listed on the Official List and admitted to trading on the Market) will be published on the website of the London Stock Exchange (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers or the Arrangers (as defined in “*Overview of the Programme*”). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

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 as amended, including by Directive 2010/73/EU, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor, the Dealers and the Arrangers to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933 (the “Securities Act”) and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the

Securities Act (“Regulation S”) in the case of Registered Notes, or as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder in the case of Bearer Notes). For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see “*Subscription and Sale*”.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Dealers to subscribe for, or purchase, any Notes.

No representation, warranty or undertaking, express or implied, is made and, to the fullest extent permitted by law, none of the Dealers, the Arrangers, the Security Trustee, the Note Trustee or the Issuing and Paying Agent accepts any responsibility for the contents of this Prospectus or for any other statement made or purported to be made by the Arrangers, the Dealers, the Security Trustee, the Note Trustee or the Issuing and Paying Agent or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Notes. Each of the Arrangers, the Dealers, the Security Trustee, the Note Trustee and the Issuing and Paying Agent accordingly disclaims all and any liability, whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

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

Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arrangers, the Dealers, the Security Trustee, the Note Trustee or the Issuing and Paying Agent that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers, the Arrangers, the Security Trustee, the Note Trustee nor the Issuing and Paying Agent undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers, the Arrangers, the Security Trustee, the Note Trustee or the Issuing and Paying Agent.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and the Guarantor is correct at any time subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. None of the Arrangers, the Dealers, the Note Trustee, the Security Trustee or the Issuing and Paying Agent expressly undertakes to review the financial condition or affairs of any of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Notes.

**This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Arrangers, the Dealers, the Note Trustee, the Security Trustee or the Issuing and Paying Agent represents that this Prospectus may be lawfully distributed, nor 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 assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Arrangers, the Dealers, the Note Trustee, the Security Trustee or the Issuing and Paying Agent which would permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Japan, Australia, Switzerland and Canada. See the section entitled “*Subscription and Sale*”.**

**In making an investment decision, investors must rely on their own examination of the Issuer and the Guarantor and the terms of the Notes being offered, including the merits and risks involved. None of the Arrangers, the Dealers, the Note Trustee, the Security Trustee or the Issuing and Paying Agent makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.**

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

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

**In addition, an investment in Notes linked to other bases of reference may entail significant risks not associated with investments in conventional securities such as debt or equity securities, including, but not limited to, the risks set out below in “*Risks related to the structure of a particular issue of Notes*”.**

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

In connection with the issue of any Tranche (as defined in “*Overview of the Programme – Method of Issue*”), the Dealer or Dealers (if any) named as the stabilising manager(s) (the “Stabilising Manager(s)”) (or any person acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche 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 and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to “£”, “Pounds”, “Sterling”, “sterling” or “GBP” are to the lawful currency of the United Kingdom, references to “\$”, “U.S. Dollars” or “U.S. \$” are to the lawful currency of the United States and to “€”, “euro”, “Euro” or “EUR” are to the currency introduced at the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

This Prospectus has not been approved for the purpose of the issue of Index Linked Notes and the Issuer may not issue Index Linked Notes pursuant to this Prospectus.

## DOCUMENTS INCORPORATED BY REFERENCE

- 1 This Prospectus should be read and construed in conjunction with the following sections of the base prospectus in respect of the Anglian Water Services Financing Plc €10,000,000,000 Global Secured Medium Term Note Programme base prospectus dated 12 September 2016 (the “AWS Base Prospectus”) which shall be incorporated in and form part of this Prospectus:

	Section Title/Reference	Page(s)
1.1	<p>The following Risk Factors:</p> <ul style="list-style-type: none"> <li>(i) Paragraph 1.1 – <i>Legal, Regulatory and Competition Considerations</i>;</li> <li>(ii) Paragraph 1.2 – <i>Anglian Water Revenue Considerations</i>;</li> <li>(iii) Paragraph 1.4 – <i>Environmental and Insurance Considerations</i>;</li> <li>(iv) Paragraph 1.5 – <i>Future Financing</i>;</li> <li>(v) Paragraph 1.6 – <i>High Leverage</i>;</li> <li>(vi) Paragraph 1.7 – <i>Financial Ratios</i>;</li> <li>(vii) Paragraph 1.8 – <i>Catastrophe Risk</i>; and</li> <li>(viii) Paragraph 1.11 – <i>Operational Risks</i>.</li> </ul>	31-59
1.2	Chapter 1 – Parties	78-82
1.3	Chapter 4 – Anglian Water Business Description	111-124
1.4	Chapter 5 – Ring-Fencing and the Anglian Water Services Financing Group	125-144
1.5	Chapter 6 – Financing Structure	145-232
1.6	Chapter 10 – Regulation of the Water and Wastewater Industry in England and Wales	324-357
1.7	Chapter 11 – Licence Conditions – Anglian Water’s Control over its Operations	358-360
1.8	Chapter 15 – General Information	393-398
1.9	Chapter 16 – Index of Defined Terms	399-444

The AWS Base Prospectus was published and approved by the Financial Conduct Authority on 12 September 2016.

- 2 This Prospectus should also be read and construed in conjunction with the following, which shall be incorporated in and form part of this Prospectus: (a) the Terms and Conditions of the Notes as contained at pages 32 to 58 (inclusive) of the prospectus dated 21 January 2011 in connection with the Programme; (b) the Terms and Conditions of the Notes as contained at pages 31 to 57 (inclusive) of the Prospectus dated 6

October 2011 in connection with the Programme; (c) the Terms and Conditions of the Notes contained at pages 30 to 56 (inclusive) of the Prospectus dated 12 October 2012; (d) the Terms and Conditions of the Notes contained at pages 31 to 57 (inclusive) of the Prospectus dated 7 October 2013; (e) the Terms and Conditions of the Notes contained at pages 31 to 57 (inclusive) of the Prospectus dated 9 October 2014; (f) the Terms and Conditions of the Notes contained at pages 31 to 57 (inclusive) of the Prospectus dated 7 October 2015 and (g) (i) for each of the financial years ended 31 March 2015 and 31 March 2016, the audited consolidated annual financial statements of Osprey Acquisition Limited and (ii) for each of the financial years ended 31 March 2015 and 31 March 2016, the audited financial statements of Anglian Water (Osprey) Financing Plc, together in each case with the audit report thereon, which have been previously published or are published simultaneously with this Prospectus and which have been approved by the Financial Conduct Authority or filed with it.

The documents, or sections of documents, referred to above shall be incorporated in and form part of this Prospectus, save that any statement contained in such documents, or sections of a document, which are incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Any information or documents themselves incorporated by reference in the documents incorporated by reference shall not form part of this Prospectus. Where only certain parts of a document are incorporated by reference in this Prospectus, the non-incorporated parts are either not relevant to the investor or are covered elsewhere in this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the registered office of the Issuer and 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>.

The hyperlinks included in this Prospectus, or included in any document incorporated by reference into this Prospectus, and the websites and their contents are not incorporated into, and do not form part of, this Prospectus.



## **SUPPLEMENTARY PROSPECTUS**

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

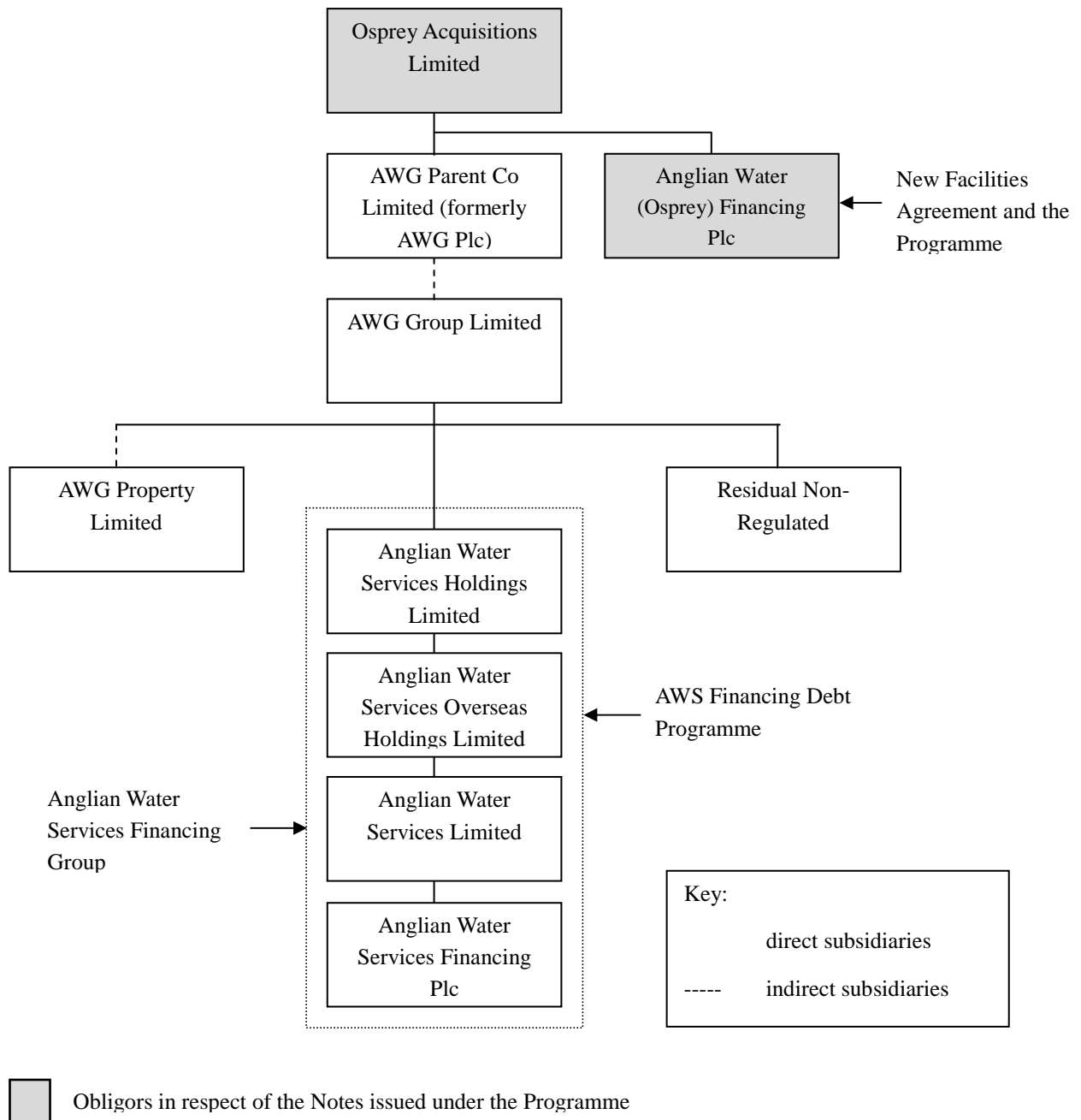
Each of the Issuer and the Guarantor has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

The Issuer will also supply to the UK Listing Authority such number of copies of such supplement hereto or amendment prospectus as may be required by the UK Listing Authority and will make copies available, free of charge, upon oral or written request, at the specified offices of the Issuing and Paying Agent.

## TABLE OF CONTENTS

	<b>Page</b>
DOCUMENTS INCORPORATED BY REFERENCE.....	6
SUPPLEMENTARY PROSPECTUS.....	8
GROUP STRUCTURE OF OSPREY ACQUISITIONS LIMITED AND ITS PRINCIPAL SUBSIDIARIES	10
OVERVIEW OF THE PROGRAMME.....	11
RISK FACTORS .....	19
CAPITALISATION.....	28
TERMS AND CONDITIONS OF THE NOTES .....	30
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM.....	57
BUSINESS DESCRIPTION OF ISSUER .....	63
BUSINESS DESCRIPTION OF GUARANTOR .....	65
OVERVIEW OF THE KEY DOCUMENTS.....	67
INTERCREDITOR, ENFORCEMENT AND THE CREDIT AGREEMENTS .....	75
TAXATION.....	82
SUBSCRIPTION AND SALE .....	84
FORM OF FINAL TERMS.....	90
GENERAL INFORMATION .....	98
INDEX OF DEFINED TERMS .....	101

**GROUP STRUCTURE OF OSPREY ACQUISITIONS LIMITED AND ITS PRINCIPAL SUBSIDIARIES**



## OVERVIEW OF THE PROGRAMME

*The following overview is qualified in its entirety by the remainder of this Prospectus.*

<b>Issuer:</b>	Anglian Water (Osprey) Financing Plc
<b>Guarantor:</b>	Osprey Acquisitions Limited
<b>Anglian Osprey Financing Group:</b>	The Guarantor and the Issuer
<b>Description:</b>	Guaranteed Secured Medium Term Note Programme pursuant to which the Issuer may issue Notes.
<b>Size:</b>	Up to £1,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. From time to time the Issuer and the Guarantor may increase the Programme Limit in accordance with the Dealership Agreement.
<b>Source of Funds for Required Payments by the Issuer and the Guarantor:</b>	<p>The payment by the Guarantor of interest, principal and other amounts to the Issuer under the Issuer/Guarantor Loan Agreements and payments under the guarantee by the Guarantor will be the principal sources of funds for the Issuer to make its required payments in respect of the Notes outstanding from time to time.</p> <p>The Guarantor will be reliant upon the payment by its subsidiaries (including AWS) of dividends and certain other distributions to meet its payment obligations in respect of interest and principal due to the Issuer under the Issuer/Guarantor Loan Agreements. The Guarantor (and, in turn, the Issuer) will therefore be substantially reliant on the cashflow of AWS in fulfilling their respective obligations under the Notes.</p>
<b>Arrangers:</b>	BNP Paribas Morgan Stanley & Co. International plc
<b>Dealers:</b>	Barclays Bank PLC BNP Paribas HSBC Bank plc Lloyds Bank plc Morgan Stanley & Co. International plc The Royal Bank of Scotland plc
	<p>The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to “<b>Permanent Dealers</b>” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated), and references to “<b>Dealers</b>” are to all Permanent Dealers and all persons</p>

	appointed as a dealer in respect of one or more Tranches.
<b>Note Trustee:</b>	Deutsche Trustee Company Limited will act as note trustee (the “ <b>Note Trustee</b> ”) for and on behalf of the holders of the Notes (each a “ <b>Noteholder</b> ”).
<b>Security Trustee:</b>	Deutsche Trustee Company Limited will act as security trustee (the “ <b>Security Trustee</b> ”), for itself and on behalf of the Secured Creditors, and will hold, and will be entitled to enforce, the Transaction Security (as described below) on behalf of the Secured Creditors (including the lenders under the Original Facilities Agreement) subject to the terms of the Intercreditor Agreement and the Security Agreement.
<b>Original Security Trustee:</b>	The Royal Bank of Scotland plc
<b>Secured Creditors:</b>	The Secured Creditors will comprise any person who from time to time is a party to, or has acceded to, the Intercreditor Agreement as a Secured Creditor, and includes, as at the date of this Prospectus, the Security Trustee, the Note Trustee (for itself and on behalf of the Initial Noteholders) and the Initial Noteholders, the Issuing and Paying Agent, the Transfer Agent, the Paying Agent, the Calculation Agent and the Registrar, the Lenders, the Hedge Counterparties and the Subordinated Lenders. Other parties may become Secured Creditors from time to time by acceding to the Intercreditor Agreement.
<b>Lenders:</b>	The lenders under an agreement for a £125 million secured revolving credit facility (the “ <b>New Facilities Agreement</b> ”) entered into by the Issuer as borrower and the Guarantor as guarantor, and any other lenders which may, by acceding to the Intercreditor Agreement, from time to time become Secured Creditors in respect of any bank facilities entered into by the Guarantor or the Issuer.
<b>Issuing and Paying Agent and Calculation Agent:</b>	Deutsche Bank AG, London Branch
<b>Paying Agent, Transfer Agent and Registrar:</b>	Deutsche Bank Luxembourg S.A.

<b>Method of Issue:</b>	The Notes will be issued on a syndicated or non-syndicated basis and, in each case, by way of private or public placement. The Notes will be issued in series (each a “ <b>Series</b> ”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “ <b>Tranche</b> ”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the “ <b>Final Terms</b> ”).
<b>Issue Price:</b>	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
<b>Notes with a maturity of less than one year:</b>	Notes issued on terms that they must be redeemed before their first anniversary will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA, unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See “ <i>Subscription and Sale</i> ”.
<b>Certain Restrictions:</b>	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time, including the following restrictions applicable at the date of this Prospectus. See “ <i>Subscription and Sale</i> ”.
<b>Form of Notes:</b>	The Notes may be issued in bearer form (“ <b>Bearer Notes</b> ”) or in registered form (“ <b>Registered Notes</b> ”) only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “ <i>Selling Restrictions</i> ” below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as “ <b>Global Certificates</b> ”.
<b>Clearing Systems:</b>	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between

the Issuer, the Issuing and Paying Agent, the Note Trustee and the relevant Dealer.

**Initial Delivery of Notes:**

On or before the issue date for each Tranche, if the relevant Global Note is an NGN or the relevant Global Certificate is held under the NSS, the Global Note or Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a Common Depositary. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system, provided that the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent, the Note Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

**Currencies:**

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealer.

**Maturities:**

Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, the Guarantor and the relevant Dealer.

**Specified Denomination:**

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

**Fixed Rate Notes:**

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

**Floating Rate Notes:**

Floating Rate Notes will bear interest determined on the basis of a reference rate appearing on an agreed screen page or a commercial quotation service as indicated in the relevant Final Terms.

**Zero Coupon Notes:**

Zero Coupon Notes (as defined in “*Terms and Conditions of the Notes*”) may be issued at their nominal amount or at a discount

to it and will not bear interest.

**Dual Currency Notes:**

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

**Interest Periods and Interest Rates:**

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

**Redemption:**

The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

**Redemption by Instalments:**

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

**Optional Redemption:**

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

**Early Redemption:**

Except as provided in “*Optional Redemption*” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “*Terms and Conditions of the Notes – Redemption, Purchase and Options*”.

**Put Option:**

If the Initial Investors and/or any Initial Investor Affiliates cease to control directly or indirectly the Guarantor, the Notes may be redeemed in full. See “*Terms and Conditions of the Notes - Redemption, Purchase and Options*”.

**Other Notes:**

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

**Status of Notes:**

The Notes will be secured obligations of the Issuer and at all times shall rank *pari passu* and without any preference among themselves. The Notes are guaranteed by the Guarantor.



	The Notes represent the rights of the holders of such Notes to receive interest and principal from the Issuer pursuant to the Terms and Conditions of the Notes and the Trust Deed.
<b>Status of Guarantee:</b>	The Guarantee by the Guarantor is an unconditional, irrevocable and unsubordinated secured obligation of the Guarantor.
<b>Negative Pledge:</b>	See “ <i>Terms and Conditions of the Notes – Negative Pledge and Covenants</i> ”.
<b>Cross Acceleration:</b>	See “ <i>Terms and Conditions of the Notes – Events of Default</i> ”.
<b>Financial Covenants:</b>	See “ <i>Overview of the Key Documents – Trust Deed - Financial Covenants</i> ”.
<b>No Acquisitions:</b>	See “ <i>Overview of the Key Documents – Trust Deed - Covenants of the Issuer and the Guarantor</i> ”.
<b>No Merger:</b>	See “ <i>Overview of the Key Documents – Trust Deed - Covenants of the Issuer and the Guarantor</i> ”.
<b>No Disposal of AWS:</b>	See “ <i>Overview of the Key Documents – Trust Deed - Covenants of the Issuer and the Guarantor</i> ”.
<b>No Loans or Credit:</b>	See “ <i>Overview of the Key Documents – Trust Deed - Covenants of the Issuer and the Guarantor</i> ”.
<b>No Guarantees:</b>	See “ <i>Overview of the Key Documents – Trust Deed - Covenants of the Issuer and the Guarantor</i> ”.
<b>Ratings:</b>	<p>Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms.</p> <p>A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p> <p>The credit ratings included or referred to in this Prospectus will be issued by Fitch and Moody’s. Fitch and Moody’s are established in the European Union and are registered under the CRA Regulation.</p>
<b>Withholding Tax:</b>	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the United Kingdom unless the withholding is required by law. In such event, the Issuer or the Guarantor shall, subject to customary exceptions, pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, all as described in “ <i>Terms and Conditions of the Notes – Taxation</i> ”.
<b>Transaction Security:</b>	The Existing Security and the security granted to the Security Trustee pursuant to the Security Agreement and any other Transaction Security Document.
<b>Existing Security:</b>	The security granted by the Guarantor over all its property, undertaking and assets in favour of the Original Security

Trustee (on behalf of, among others, the lenders under the Original Facilities Agreement) pursuant to a debenture dated 10 October 2007.

**Note Documents:**

The Notes, the Trust Deed, the Agency Agreement, the Dealership Agreement and the Issuer/Guarantor Loan Agreements.

**Finance Documents:**

The Note Documents, the Original Facilities Agreement, the New Facilities Agreement, hedge agreements entered into with Hedge Counterparties and any other Finance Documents as may be entered into from time to time pursuant to the Intercreditor Agreement.

**Issuer/Guarantor Loan Agreements:**

Loan agreements have been entered into between the Issuer and the Guarantor (the “**Issuer/Guarantor Loan Agreements**”), pursuant to which the Issuer will grant intra-group loans to the Guarantor in amounts equal to the proceeds of the Notes issued by the Issuer (each an “**Issuer/Guarantor Loan**”). Funds received under the Issuer/Guarantor Loans from the Guarantor to the Issuer will enable the Issuer to make payments on the Notes and fund its costs and expenses.

**Intercreditor Agreement:**

The intercreditor agreement has been entered into between the Secured Creditors (and, in the case of the Noteholders, the Note Trustee on behalf of the Noteholders), the Issuer and the Guarantor to regulate the claims of the Secured Creditors and the rights of the Issuer and the Guarantor (the “**Intercreditor Agreement**”). See “*Intercreditor, Enforcement and the Credit Agreements*”.

**Transaction Security Documents:**

The Security Agreement and any other documents entered into at any time by the Issuer and the Guarantor which grants any Security in favour of the Security Trustee (to be held on trust for the Secured Creditors). The claims of the Secured Creditors in respect of the Transaction Security will be regulated by the Intercreditor Agreement.

**Governing Law of the Notes:**

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.

**Listing and Admission to Trading:**

Application has been made to list Notes issued under the Programme on the Official List and to admit them to trading on the Market or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly.

**Redenomination, Renominalisation and/or Consolidation:**

Notes denominated in a currency of a country that subsequently participates in the third stage of European Economic and Monetary Union may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro. The provisions applicable to any such redenomination, renominalisation and/or consolidation will be

as specified in the relevant Final Terms.

**Selling Restrictions:**

The United States, the European Economic Area (including the United Kingdom), Japan, Australia, Switzerland and Canada. See “*Subscription and Sale*”.

**United States Selling Restrictions:**

The Issuer is a Category 2 issuer for the purposes of Regulation S under the Securities Act.

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”)) (the “**D Rules**”) unless (i) the relevant Final Terms state that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “**C Rules**”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

**Risk Factors:**

There are certain factors that may affect the Issuer’s and/or the Guarantor’s ability to fulfil its obligations under Notes issued under the Programme. These are set out under “*Risk Factors*”.

## **RISK FACTORS**

*The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

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

*The Issuer and the Guarantor believe that the factors described below represent the material risks inherent in investing in Notes issued under the Programme, but the Issuer or the Guarantor may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons that cannot reasonably be considered to be significant, are currently unknown, or the Issuer and Guarantor are unable to anticipate and, accordingly, neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuer's and the Guarantor's ability to fulfil their obligations under or in connection with Notes issued under the Programme**

#### ***The Issuer is a special purpose financing entity***

The Issuer is a special purpose financing entity with no business operations other than raising external funding for the Guarantor through the issuance of the Notes and other debt finance. The Issuer's only source of funds will be the repayment of amounts by the Guarantor to it pursuant to the related Issuer/Guarantor Loans made by the Issuer to the Guarantor under the Issuer/Guarantor Loan Agreements. Therefore, the Issuer is subject to all the risks relating to revenues and expenses to which the Guarantor is subject as set out or incorporated by reference herein.

#### ***The Guarantor is a holding company with no operations and relies on its operating subsidiaries to provide it with funds necessary to meet its financial obligations***

The Guarantor is a holding company with no material, direct business operations. The principal assets of the Guarantor are the equity interests it directly or indirectly holds in its operating subsidiaries (primarily Anglian Water Services Limited ("AWS")). As a result, the Guarantor is dependent on loans, interest, dividends and other payments from its subsidiaries to generate the funds necessary to meet its financial obligations, including the repayment of any Issuer/Guarantor Loans. The Guarantor's subsidiaries are separate and distinct legal entities and, except for the Issuer, they will have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividends, distributions, advances, loans or other payments. Accordingly, risks that have an impact on the subsidiaries of the Guarantor (as set out in more detail in the following six paragraphs) and incorporated herein (see further "*Principal risks associated with AWS and its business*" below) could affect the amount of funds available to the Guarantor to enable the Guarantor to satisfy in full and on a timely basis its obligations under the Issuer/Guarantor Loan Agreements and the Guarantee. In addition, AWS is restricted from declaring or paying dividends as part of the AWS Financing as defined and further described below, such restrictions being dependent on the financial performance of AWS. See further "*Principal risks associated with AWS and its business*" below.

***AWS is subject to certain restrictions in paying dividends as part of its covenant-based ring-fencing***

In 2002, AWG Parent Co Limited implemented a significant corporate restructuring and financing (the “**AWS Financing**”) and created a new “ring-fenced” financing group (being the “**Anglian Water Services Financing Group**”). The Anglian Water Services Financing Group consists of Anglian Water Services Holdings Limited, Anglian Water Services Holdings Limited’s wholly-owned subsidiary, Anglian Water Services Overseas Holdings Limited, Anglian Water Services Overseas Holdings Limited’s wholly-owned subsidiary, AWS and AWS’ wholly-owned subsidiary, Anglian Water Services Financing Plc (see diagram, “*Group Structure of Osprey Acquisitions Limited and its Principal Subsidiaries*” above). A key aspect of this covenant-based ring-fencing is that AWS is only entitled to pay any dividends (albeit indirectly) or make any other payments (“**distributions**”) to AWG Group Limited or AWG Parent Co Limited if certain conditions are satisfied, including that no potential or actual event of default or trigger event under the AWS Financing is continuing or would result from such payment and that certain gearing ratio tests are satisfied. In addition, there are restrictions on the amounts of distributions permitted under the AWS Financing. Notwithstanding these restrictions on distributions, members of the Anglian Water Services Financing Group can, if certain conditions are satisfied, enter into certain permitted tax loss transactions with AWG Group Limited and/or AWG Parent Co Limited. See Chapter 6 (*Financing Structure*) of the AWS Base Prospectus for further details.

***AWS is subject to certain restrictions in paying dividends as part of its regulatory ring-fencing***

As part of its obligations as a regulated company, AWS is subject to certain ring-fencing restrictions under its current Licence. In addition to the covenant restrictions applicable to distributions under the AWS Financing, AWS is required pursuant to its Licence to declare or pay dividends only in accordance with a dividend policy which has been approved by the board of directors of AWS and which complies with the principles: (i) that dividends will not impair the ability of AWS to finance its regulated business; and (ii) that under a system of incentive regulation, dividends would be expected to reward efficiency and the management of economic risk. See Chapter 5 (*Ring-Fencing and the Anglian Water Services Financing Group*) of the AWS Base Prospectus for further details.

***Noteholders are structurally subordinated to claims of creditors of the Guarantor’s subsidiaries, including the secured creditors of AWS under the AWS Financing***

The ability of the Guarantor’s subsidiaries to make such distributions and other payments depends on their earnings and may be subject to statutory or contractual restrictions. As an equity investor in its subsidiaries, the Guarantor’s right to receive assets upon their liquidation or reorganisation will be effectively subordinated to the claims of creditors of its subsidiaries. To the extent that the Guarantor is recognised as a creditor of such subsidiaries, the Guarantor’s claims may still be subordinated to any security interest in or other lien on the assets of such subsidiaries and to any of their debt or other obligations that are senior to the Guarantor’s claims.

***If share security under the AWS Financing is enforced, the Guarantor may no longer be an indirect shareholder of AWS***

Each of Anglian Water Services Overseas Holdings Limited and Anglian Water Services Holdings Limited has granted share security as part of the AWS Financing over shares in its direct subsidiary. If the secured creditors in respect of the AWS Financing elect to enforce their rights thereunder, then such security over the shares in Anglian Water Services Overseas Holdings Limited and AWS may be enforced and such enforcement may result in a sale of AWS and, subsequently, the Guarantor no longer being an indirect shareholder of AWS.

***High Leverage of AWS***

AWS has indebtedness that is substantial in relation to its shareholders’ equity. The Anglian Water Services Financing Group at 31 March 2016 is leveraged to 88.3 per cent. as a percentage of total debt to RCV (as

defined on page 435 of the AWS Base Prospectus). Taking into account retained cash reserves, the net leverage at 31 March 2016 is 82.2 per cent. of RCV. If certain “Trigger Event Ratio Levels” are breached, AWS is restricted from paying distributions – see section 6.5.7 (*Trigger Events*) and section 6.5.8(i) (*Trigger Event Consequences - No Restricted Payments*) of the AWS Base Prospectus for further details. Accordingly, there can be no assurance as to the ability of AWS to pay distributions to its shareholders, and ultimately the Guarantor, to enable the Issuer or the Guarantor to pay amounts due and owing in respect of the Notes.

### ***Residual Non-Regulated Activities***

In addition to the Anglian Water Services Financing Group, AWG Parent Co Limited has certain non-material and Non-Regulated Subsidiaries, including residual international and property development businesses. The international business has largely been disposed of or closed. All warranties given on disposal of the international business and certain other disposals (for example, construction) have expired. Residual items outstanding include remote risks on a small number of low value bond guarantees and a performance guarantee over a treatment works in New Zealand completed in 1998. Given the time that has elapsed and that the contract is operated by a large international water company, the Guarantor considers the possibility of a claim under this guarantee to be remote. The property development business is in the process of being wound down, with most of its major assets having been sold and the remainder anticipated to be disposed of over the next few years when the property market stabilises. AWG Group Limited incurs head-office running costs for the Group, including pension deficit contributions to a closed Morrison Construction pension scheme and costs relating to certain guarantees.

On 9 June 2016 Celtic Anglian Water Limited, a 50/50 joint venture between CUL Water Limited and Anglian Water (Ireland) Limited operating in Ireland (with reported annual turnover of €31.3 million and profit of €4.3 million for the year ended 31 March 2016) and mainly engaged in managing and operating a wastewater treatment works for Dublin City Council, was sold to a fellow subsidiary undertaking of Osprey Holdco Limited, the Guarantor’s immediate parent undertaking. Also included within the Non-Regulated Subsidiaries is a property business that manages extracting the efficient sales and development of surplus land in AWS.

### ***Principal risks associated with AWS and its business***

The principal risks to which AWS and its business are subject are set out in the following risk factors, extracted from the AWS Base Prospectus, which are incorporated by reference in this Prospectus (see “*Documents Incorporated by Reference*”):

Risk Factors:

- (i) Paragraph 1.1 – *Legal, Regulatory and Competition Considerations*;
- (ii) Paragraph 1.2 – *Anglian Water Revenue Considerations*;
- (iii) Paragraph 1.4 – *Environmental and Insurance Considerations*;
- (iv) Paragraph 1.5 – *Future Financing*;
- (v) Paragraph 1.6 – *High Leverage*;
- (vi) Paragraph 1.7 – *Financial Ratios*;
- (vii) Paragraph 1.8 – *Catastrophe Risk*; and
- (viii) Paragraph 1.11 – *Operational Risks*.

### ***Future Financing***

The Issuer or the Guarantor may need to raise further debt from time to time in order to, among other things:

- (i) on each date on which principal is required to be repaid and on the maturity date of the relevant Tranche of Notes, refinance the Notes; and
- (ii) refinance any other debt (including any Loan Facilities) the terms of which have become inefficient or which have a scheduled partial or final maturity prior to the final maturity of the Notes.

While the Intercreditor Agreement contemplates the circumstances under which such further debt can be raised, there can be no assurance that the Issuer or the Guarantor will be able to raise sufficient funds, or funds at a suitable interest rate, or on suitable terms, at the requisite time such that the purposes for which such financing is being raised are fulfilled, and in particular such that all amounts then due and payable on the Notes or any other maturing indebtedness will be capable of being so paid when due.

## **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 certain such features:

#### *Notes subject to optional redemption by the Issuer*

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

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

#### *Dual Currency Notes*

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (a) the market price of such Notes may be volatile; and
- (b) payment of principal or interest may occur at a different time or in a different currency than expected.

#### *Inverse Floating Rate Notes*

Inverse floating rate notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

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

floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Fixed Rate Notes*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

#### *Notes issued at a substantial discount or premium*

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

#### *Hedge Counterparty risk*

If the Issuer or, if applicable, the Guarantor enters into any hedging agreements in connection with any issue of Notes (for example, in relation to interest rate or currency exposures), it faces the possibility that a Hedge Counterparty will become unable to honour its contractual obligations. Hedge Counterparties may default on their obligations due to insolvency, bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into swap or other derivative contracts under which counterparties have obligations to make payments to the Issuer or the Guarantor or from executing trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries.

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

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

#### *Noteholders' rights subject to the Intercreditor Agreement*

The Noteholders' rights against the Issuer and the Guarantor are subject to the Intercreditor Agreement, which is described in detail in the section entitled "*Intercreditor, Enforcement and Credit Agreements*". Whilst the Note Trustee's rights to take any action to enforce its rights against the Issuer and/or the Guarantor following an Event of Default are partially restricted under the Intercreditor Agreement, the taking of Permitted Enforcement Action by the Note Trustee is not restricted. The taking of Permitted Enforcement Action by the Note Trustee shall trigger an automatic acceleration of the Secured Liabilities. Following such automatic acceleration, the Security Trustee shall enforce the Transaction Security in accordance with the instructions of the Majority Secured Creditors (which might not include the Noteholders) and the proceeds of such enforcement shall be distributed in accordance with the order of payments set out in the Intercreditor Agreement. As a result, Noteholders can be bound by the process of enforcement that is determined by the Majority Secured Creditors, which may differ from the interests of Noteholders. Noteholders can therefore be bound by the result of a particular matter that they voted against, including, for the avoidance of doubt, in relation to the enforcement of the Transaction Security.

#### *Potential disenfranchisement of Noteholders*

In relation to any consent, waiver, approval, discretion, determination, instruction or other decision or any other derivative thereof (the "**decision**") to be made pursuant to the Intercreditor Agreement, the Security Trustee shall notify the Obligors and each Secured Creditor Representative (including the Note Trustee) of the matter in question and shall also inform each Secured Creditor Representative (including the Note Trustee) of the date by which it must provide its vote in relation to the relevant decision (being 30 Business Days after the



date upon which the Security Trustee gives such notice) (the “**Decision Date**”). If the Note Trustee has not notified the Security Trustee of its instructions in relation to a decision by the Decision Date, then in respect of any decision which is required to be made by the Majority Secured Creditors, the Commitments in respect of the Notes shall be excluded from:

- (i) the Total Commitments to be considered as voting in favour of the relevant decision (the numerator); and
- (ii) the Total Commitments to be used for determining whether the requisite percentage of votes has been cast in favour of the matter in question (the denominator),

for the purpose of determining whether the requisite voting levels have been attained in relation to that decision, provided that such a reduction in voting entitlement shall not apply to any matter where an Entrenched Right of the Noteholders is affected. Noteholders can therefore be bound by the result of a particular decision (as defined in this risk factor) in respect of which they have not voted, including, for the avoidance of doubt, a decision (as defined in this risk factor) in relation to the enforcement of the Transaction Security, even where the Note Trustee, representing the Noteholders, would (but for the requirement to provide a vote by the Decision Date as described above), whether by itself or with one or more other Secured Creditor Representatives, constitute the Majority Secured Creditors.

#### *Modification, waivers and substitution*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. As a result, Noteholders can be bound by the result of a particular matter that they voted against.

The Terms and Conditions of the Notes also provide that the Note Trustee may, without the consent of 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 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 Issuer, in the circumstances described in Condition 11 (*Meetings of Noteholders, Modification, Waiver and Substitution*) of the Terms and Conditions of the Notes.

#### *Liability under the Notes*

The Notes are obligations of the Issuer and will be guaranteed by the Guarantor. For the avoidance of doubt, the Notes will not be the responsibility of, or guaranteed by, any other person. In particular, the Notes will not be obligations or responsibilities of, or guaranteed by, the Arrangers, the Dealers, the Note Trustee, the Security Trustee, the Issuing and Paying Agent or any other company in the same group of companies as, or affiliated to, either Obligor.

#### *Political, social and macroeconomic risks relating to the United Kingdom’s potential exit from the European Union (EU)*

On 23 June 2016 the United Kingdom held a referendum to decide on the United Kingdom’s membership of the European Union. The United Kingdom vote was to leave the European Union. There are a number of uncertainties in connection with the future of the United Kingdom and its relationship with the European Union. The negotiation of the United Kingdom’s exit terms is likely to take a number of years. Until the terms and timing of the United Kingdom’s exit from the European Union are clearer, it is not possible to determine the impact that the referendum, the United Kingdom’s departure from the European Union and/or any related matters may have on the business of AWS or the regulatory framework applicable to it. As such, no assurance

can be given that such matters would not adversely affect the business of AWS and/or the market value and/or the liquidity of the Notes in the secondary market.

In addition, historically AWS has accessed funding from Europe-based investors and institutions, including, by way of example, the European Investment Bank. In light of the United Kingdom's potential exit from the EU, AWS may find it more difficult to access funding from such investors and institutions in the future.

#### *English law security and insolvency considerations*

The Issuer will enter into the Security Agreement and other Transaction Security Documents pursuant to which it will grant the Transaction Security in respect of certain of its obligations, including its obligations under the Notes. If certain insolvency proceedings are commenced in respect of the Issuer, the ability to realise the Transaction Security may be delayed and/or the value of the Transaction Security impaired.

The Insolvency Act allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. Although there is as yet no case law on how these provisions will be interpreted, it should be applicable to the floating charge created by the Issuer and granted by way of security to the Security Trustee. However, as this is partly a question of fact, were it not to be possible to appoint an administrative receiver in respect of the Issuer, the Issuer would be subject to administration if it became insolvent which may lead to the ability to realise the security being delayed and/or the value of the security being impaired.

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the Insolvency Act, certain floating charge realisations which would otherwise be available to satisfy the claims of Secured Creditors under the Security Agreement or other Transaction Security Document may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by the Issuer in the Finance Documents are intended to ensure that it has no significant creditors other than the Secured Creditors under the Security Agreement or the documents relating to the Existing Security, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Transaction Security.

While the transaction structure is designed to minimise the likelihood of the Issuer becoming insolvent, there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Noteholders would not be adversely affected by the applications of insolvency laws (including English insolvency laws).

#### *Fixed charges may take effect under English law as floating charges*

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law as floating charges only if, for example, it is determined that the Security Trustee does not exert sufficient control over the assets subject to such charge. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets.

The interests of the Secured Creditors in property and assets over which there is a floating charge will rank behind the expenses of any administration or liquidator and the claims of certain preferential creditors on enforcement of the Transaction Security. Section 250 of the Enterprise Act 2002 abolishes Crown Preference in relation to all insolvencies and thus reduces the categories of preferential debts that are to be paid in "prescribed part" (up to a maximum amount of £600,000) of the floating charge realisations available for

distribution to be set aside to satisfy the claims of unsecured creditors. This means that the expenses of any administration, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to Noteholders. The prescribed part will not be relevant to property subject to a valid fixed security interest or to a situation in which there are no unsecured creditors.

#### *Change of law*

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

#### *Integral multiples of less than €100,000*

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination of €100,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations. If definitive Notes are issued, Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum authorised denomination may be illiquid and difficult to trade.

#### *Notes not in physical form*

Unless the Global Notes are exchanged for Definitive Notes, which exchange will only occur in the limited circumstances set out under the section entitled “*Summary of Provisions relating to the Notes while in Global Form*” below, the beneficial ownership of the Notes will be recorded in book-entry form only with Euroclear and Clearstream, Luxembourg. The fact that the Notes are not represented in physical form could, among other things:

- (a) result in payment delays on the Notes because distributions on the Notes will be sent by or on behalf of the Issuer to Euroclear or Clearstream, Luxembourg directly to Noteholders;
- (b) make it difficult for Noteholders to pledge the Notes as security if Notes in physical form are required or necessary for such purposes; and
- (c) hinder the ability of Noteholders to resell the Notes because some investors may be unwilling to buy Notes that are not in physical form.

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

Set out below is a brief description of certain 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 liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited

secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

#### *Exchange rate risks and exchange controls*

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

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

#### *Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

#### *Credit rating risks*

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

There is no assurance that any credit rating assigned to an issue of Notes will continue for any period of time or that it will not be reviewed, revised, suspended or withdrawn entirely by the relevant credit rating agency. If any credit rating assigned to the Notes is lowered or withdrawn, the market value of the Notes may be reduced. Future events, including those affecting the Guarantor, its subsidiaries and the water industry generally, could have an adverse impact on the ratings of the Notes.

## CAPITALISATION

The following table sets out the actual consolidated cash and cash equivalents and debt of the Guarantor at 31 March 2016 on both an accounting value (as included within the Guarantor's consolidated statement of financial position on that date) and nominal value basis.

	<b>As at 31 March 2016</b>	
	Accounting value £m	Nominal value £m
Current Borrowings		
Bonds & Other Borrowings	1,233	401
Inter-Company Loan	-	-
Total Current Borrowings	1,233	401
Non-Current Borrowings		
Bank Facility	(4)	(0)
Bonds & Other Borrowings	6,418	5,954
Total Non-Current Borrowings	6,414	5,954
Guarantees	-	6
Total Debt	7,647	6,361
Cash, Cash Equivalents & Current Investments	(452)	(452)
Total Net Debt	7,195	5,909

### Notes

1. Accounting numbers from 2016 are produced under International Financial Reporting Standards.
2. The nominal value of debt is utilised in determining the gearing ratio under the Guarantor's current financing agreements.
3. The difference between the accounting value and nominal value of the current borrowings represents (a) fair value adjustments that arose on the acquisition of AWG Plc (now AWG Parent Co Limited) and its subsidiaries on 23 November 2006, (b) the unamortised element of capitalised fees and (c) fair value adjustments to debt required under International Financial Reporting Standards.
4. The difference between the accounting value and nominal value of the Bank Facility represents the unamortised element of capitalised fees.
5. The difference between the accounting value and nominal value of the bonds and other borrowings represents (a) fair value adjustments that arose on the acquisition of AWG Plc (now AWG Parent Co Limited) and its subsidiaries on 23 November 2006, (b) the unamortised element of capitalised fees (c) fair value adjustments to debt required under International Financial Reporting Standards.

6. The £729m inter-company loan from Osprey Holdco Limited to the Guarantor is excluded when determining the gearing ratio under the financing arrangements.
7. As at the date of this Prospectus there has been no material change to the financial position of the Guarantor set out above since 31 March 2016 other than in relation to the transactions contemplated under this Prospectus.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. The applicable Final Terms in relation to any Tranche of Notes will complete the following terms and conditions for the purpose of such Notes. The relevant Final Terms will be endorsed upon, or attached to, such Bearer Notes or on the Certificates relating to such Registered Notes.*

The Notes are constituted by a Trust Deed (as amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”), the “**Trust Deed**”) dated 21 January 2011, as amended and restated by a supplemental trust deed dated 7 October 2013 and as further amended by a deed of amendment dated 9 October 2014 between the Issuer, the Guarantor and Deutsche Trustee Company Limited (the “**Note Trustee**”, which expression shall include all persons for the time being the note trustee or note trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of:

- (i) the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below;
- (ii) the Agency Agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 21 January 2011, which has been entered into in relation to the Notes between the Issuer, the Guarantor, the Note Trustee, Deutsche Bank AG, London Branch as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar) and the “**Calculation Agent(s)**”;
- (iii) the Security Agreement (the “**Security Agreement**”) dated on or around 31 January 2011 between the Issuer, the Guarantor and Deutsche Trustee Company Limited (the “**Security Trustee**”); and
- (iv) the Intercreditor Agreement amended and restated on 7 January 2011 between, amongst others, the Issuer, the Guarantor, the Note Trustee, The Royal Bank of Scotland plc (the “**Original Security Trustee**”), the Security Trustee and certain banks as lenders to the Guarantor (the “**Intercreditor Agreement**”).

Copies of the Trust Deed, the Agency Agreement, the Security Agreement and the Intercreditor Agreement are available for inspection during usual business hours at the principal office of the Note Trustee (presently at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified offices of the Paying Agents and the Transfer Agents.

The payments of all amounts in respect of the Notes have been secured by the Issuer and the Guarantor pursuant to the Security Agreement and guaranteed by the Guarantor in the Trust Deed.

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

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

Terms used but not defined in these Conditions have the meanings given to them in the Trust Deed.

## 1 Form, Denomination and Title

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown hereon, provided that in the case of any Notes which are to be admitted to trading on a regulated market within the 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 Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

*All Registered Notes shall have the same Specified Denomination*

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, , an Instalment Note or a Dual Currency Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

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

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

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

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

## 2 No Exchange of Notes and Transfers of Registered Notes

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and



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

- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(b) (*Transfer of Registered Notes*) or Condition 2(c) (*Exercise of Options or Partial Redemption in Respect of Registered Notes*) shall be available for delivery within three business days of receipt of the form of transfer or Put Exercise Notice (as defined in Condition 6(e) (*Guarantor Change of Control Put*)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d) (*Redemption at the Option of the Issuer*), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. In this Condition 2(f), "**Record Date**" shall have the meaning given to it in Condition 7(b)(ii).

### 3 Guarantee and Status

- (a) **Status of Notes:** The Notes and the Receipts and Coupons are secured, direct and unconditional obligations of the Issuer, secured pursuant to the Security Agreement, and shall at all times rank *pari passu* and without any preference among themselves.
- (b) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes, the Receipts and the Coupons. Its obligation in that respect (the “**Guarantee**”) is contained in the Trust Deed and is secured pursuant to the Security Agreement.

### 4 Negative Pledge and Covenants

- (a) So long as any Note or Coupon remains outstanding (as defined in the Trust Deed):
  - (i) neither the Issuer nor the Guarantor will:
    - A.** create or have outstanding any mortgage, charge, lien, pledge or other security interest (other than the Permitted Loan Security Interest), upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital), to secure any Financial Indebtedness, or any guarantee or indemnity in respect of any Financial Indebtedness, without at the same time, or prior thereto according to the Issuer’s obligations under the Notes and the Coupons or, as the case may be, the Guarantor’s obligations under the Guarantee, the same security as is created or subsisting to secure any such Financial Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; or
    - B.** incur any additional Financial Indebtedness unless:
      - (a) such additional Financial Indebtedness does not rank senior to the Notes;
      - (b) if such additional Financial Indebtedness is secured (but not otherwise), the creditors (and/or their representative) of such Financial Indebtedness accede to the Intercreditor Agreement as Secured Creditors on or prior to advancing funds to the Issuer or, as the case may be, the Guarantor; and
      - (c) no Event of Default or Potential Event of Default would occur as a result of the incurrence of such Financial Indebtedness; and
  - (ii) the Guarantor shall procure that no Non-Regulated Subsidiary shall:
    - A.** create or have outstanding any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time, or prior thereto according to the Issuer’s obligations under the Notes and the Coupons or, as the case may be, the Guarantor’s obligations under the Guarantee, (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders and (ii) the relevant Non-Regulated Subsidiary that incurs such Relevant Indebtedness accedes to the Intercreditor Agreement as an Obligor and the

creditor representative on behalf of the creditors in respect of the Relevant Indebtedness accedes to the Intercreditor Agreement as Secured Creditor;

- B.** incur any additional Financial Indebtedness unless:
- (x) such additional Financial Indebtedness is not Relevant Indebtedness; and
  - (y) no Event of Default or Potential Event of Default would occur as a result of the incurrence of such Financial Indebtedness.

For the purposes of this Condition 4(a),

“**Accounting Principles**” means generally accepted accounting principles in the UK;

“**Financial Indebtedness**” means any indebtedness (other than indebtedness owed by one member of the Group to another member of the Group) for or in respect of (without double counting):

- (a) monies borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the Accounting Principles, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold or discounted on a non-recourse basis);
- (f) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the amount (if any) that is recorded as a debt obligation in the most recent financial statements of the relevant member of the Group as at the time of the calculation (or, if any actual amount is due as a result of the termination or close-out of that Treasury Transaction, that amount) shall be taken into account) (**provided that** when this definition is used for the purpose of Condition 10(d) (*Cross-Acceleration*), only the net amount not paid or which is payable by the relevant member of the Group thereunder shall be taken into account);
- (g) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution, excluding, for the avoidance of doubt, any counter-indemnity which is in respect of any performance bonds and/or guarantees; interest rate shortfall bonds and/or guarantees; or any bond and/or guarantee given in respect of the Secondary Tax Liability, and in each case where no call has been made;
- (h) any amount of any liability under an advance or deferred purchase agreement if (a) one of the primary reasons behind entering into the agreement is to raise finance or (b) the agreement is in respect of the supply of assets or services and payment is due more than 120 days after the date of supply;
- (i) any amount raised by the issue of redeemable shares which are capable of being redeemed by the holders thereof prior to the latest Maturity Date of any Notes;

- (j) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; and
- (k) (without double counting) the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (j) above;

“**Group**” means the Guarantor and each of its Subsidiaries for the time being;

“**Initial Investors**” means Canada Pension Plan Investment Board, Commonwealth Bank of Australia, Industry Funds Management (Nominees) Limited and 3i Group plc;

“**Initial Investor Affiliate**” means in relation to an Initial Investor:

- (a) any Fund, Trust or company (including any unit trust, investment trust, limited partnership or general partnership) which is controlled by, which is advised by, or which is, or the assets of which are, managed from time to time by:
  - (i) that Initial Investor; or
  - (ii) any Fund, Trust or company which is controlled by that Initial Investor and which forms part of that Initial Investor's consolidated group for accounting purposes, and this shall include any wholly-owned subsidiary of such Fund, Trust or company but, for the avoidance of doubt, shall not include an investee company of an Initial Investor; or
- (b) in relation to Industry Funds Management (Nominees) Limited, or any Initial Investor Affiliate of Industry Funds Management (Nominees) Limited pursuant to paragraph (a), Members Equity or IFBT;

“**Permitted Loan Security Interest**” means any Security or Quasi-Security granted by the Guarantor with respect to any Cash Collateral provided to the security trustee for the holders of the Loan Notes;

“**Relevant Indebtedness**” means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

“**Secondary Tax Liability**” means any liability to UK Tax of a Regulated Entity for which an Initial Investor or current or former Initial Investor Affiliate is primarily liable; and

“**Treasury Transaction**” means any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price.

- (b) The Issuer and Guarantor have provided certain additional covenants pursuant to clauses 7 and 8 of the Trust Deed in relation to, without limitation, the financial position, assets, liabilities and business operations of each of them. A summary of these covenants is available to Noteholders in the base prospectus prepared by the Issuer in respect of the Notes under the section “*Overview of the Key Documents – Trust Deed – Covenants of the Issuer and the Guarantor*”.

## 5 Interest and Other Calculations

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g) (*Calculations*).
- (b) Interest on Floating Rate Notes:
- (i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g) (*Calculations*). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.
- (A) *ISDA Determination for Floating Rate Notes*
- Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this subparagraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

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

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

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

- (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 such 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 as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

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

(y) If the Relevant Screen Page is not available or if, sub-paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

(z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks, or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the

Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Note Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation of two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“**Applicable Maturity**” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i) (*Zero Coupon Notes*)).

- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating the Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (e) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8 (*Taxation*)).
- (f) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**
- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) (*Interest on Floating Rate Notes*) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to (ii) below.
- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, “unit” means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency.
- (g) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (h) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the



Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Note Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination, but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii) (*Business Day Convention*), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Note Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10 (*Events of Default*), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5, but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Note Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (i) **Determination or Calculation by Note Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Note Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Note Trustee shall apply the foregoing provisions of this Condition 5, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- (j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET2 System is operating (a “**TARGET2 Business Day**”); and/or
- (iii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

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

- (i) if “**Actual/Actual**” or “**Actual/Actual - ISDA**” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/360**” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (iv) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

- (v) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

- (vi) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

- (vii) if “**Actual/Actual-ICMA**” is specified hereon:
- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (b) if the Calculation Period is longer than one Determination Period, the sum of:
- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

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

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

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

**“Interest Amount”** means:

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

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

**“Interest Determination Date”** means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling, (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET2 Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

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

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

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

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

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

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

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

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

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

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

## 6 Redemption, Purchase and Options

(a) **Redemption by Instalments and Final Redemption:**

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

(b) **Early Redemption:**

- (i) *Zero Coupon Notes:*
- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 10 (*Events of Default*) shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 10 (*Events of Default*) is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c) (*Zero Coupon Notes*).

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

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in paragraph (i) above), upon redemption of such Note pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 10 (*Events of Default*), shall be the Final Redemption Amount unless otherwise specified hereon.
- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) (*Early Redemption*) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if the Guarantee were called, the Guarantor) satisfies the Note Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or, in each case, any authority thereof or therein having power to tax, 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 (or the Guarantor, as the case may be) taking reasonable measures available to it (including, but not limited to, the replacement of the Issuing and Paying Agent), provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or either Guarantee, as the case may be) then due and provided that any two Directors of the Issuer are able to certify in the notice provided to the Noteholders that it has sufficient funds to pay such Optional Redemption Amount. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Note Trustee a certificate signed by two Directors of the Issuer (or the Guarantor, as the case may be) stating that the obligation

referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and the Note Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on Noteholders and Couponholders.

- (d) **Redemption at the Option of the Issuer:** If a Call Option is specified hereon and provided that on or prior to the date on which the notice expires, the Note Trustee has not instituted proceedings against the Issuer and/or the Guarantor in accordance with Condition 12 (*Enforcement*), the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) in accordance with Condition 16 (*Notices*) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption, provided that any two Directors of the Issuer are able to certify in the notice provided to the Noteholders that it has sufficient funds to pay such Optional Redemption Amount. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(d).

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

- (e) **Guarantor Change of Control Put:** If at any time there occurs a Guarantor Change of Control, a "**Guarantor Change of Control Event**" shall be deemed to have occurred.

Promptly upon the Issuer or the Guarantor being aware of a Guarantor Change of Control Event having occurred and in any event within 14 days thereof, the Guarantor or the Issuer shall give notice to the Noteholders of the occurrence of such Guarantor Change of Control Event (such notice, a "**Guarantor Change of Control Event Notice**"), any such notice to be delivered in accordance with the provisions of Condition 16 (*Notices*). At any time from the date of giving such Guarantor Change of Control Event Notice to the date falling 45 days thereafter (such period, the "**Put Exercise Period**") upon the Issuer receiving at least five Business Days' notice from any Noteholder (any such notice, a "**Put Event Notice**"), the Notes of such Noteholder as specified in the Put Event Notice shall become due and repayable and the Issuer will, upon the expiry of such Put Event Notice (such date, the "**Guarantor Change of Control Event Date**"), redeem each Note the subject of such Put Event Notice at 101 per cent. of its principal amount together with interest accrued to (but excluding) the Guarantor Change of Control Event Date.

Pursuant to the above provisions, any Noteholder having the right to require early redemption of any Notes held by it pursuant to this Condition 6(e), to exercise the right to require redemption of such Notes such Noteholder must, if such Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the Put Exercise Period, 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 Exercise Notice**") and in which the Noteholder must specify a

bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 6(e) accompanied by such Note or evidence satisfactory to the Paying Agent concerned that such Note will, following delivery of the Put Exercise Notice, be held to its order or under its control. If such Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of such Notes, the holder of such Note must, within the Put Exercise Period, give notice to the Issuing and Paying Agent of such exercise in accordance with the standard procedures of Euroclear or, as the case may be, Clearstream, Luxembourg (which may include notice being given on instruction of the relevant Noteholder by Euroclear or Clearstream, Luxembourg, as the case may be, or any common service provider for them to the Issuing and Paying Agent by electronic means) in a form acceptable to Euroclear or, as the case may be, Clearstream, Luxembourg from time to time and, if such Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Issuing and Paying Agent for notation accordingly.

Any Put Exercise Notice or other notice given by a holder of any Note in accordance with the standard procedures of Euroclear or, as the case may be, Clearstream, Luxembourg pursuant to this Condition 6(e) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Note Trustee has declared the Notes to be due and repayable pursuant to Condition 10 (*Events of Default*), in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6(e).

In this Condition 6(e):

“**Guarantor Change of Control**” means the Initial Investors and/or any Initial Investor Affiliates together or separately cease to control, directly or indirectly, the Guarantor. For the purposes of this definition, “**control**” of the Guarantor means:

- (a) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:
  - (i) cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a general meeting of the Guarantor; or
  - (ii) appoint or remove all, or the majority, of the directors or other equivalent officers of the Guarantor; or
  - (iii) give directions with respect to the operating and financial policies of the Guarantor with which the directors or other equivalent officers of the Guarantor are obliged to comply; and/or
- (b) the holding beneficially of more than one-half of the issued share capital of the Guarantor (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital).
- (f) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days’ notice to the Issuer (or such other notice period as may be specified hereon) in accordance with Condition 16 (*Notices*), redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (“**Exercise Notice**”) in the



form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (g) **Purchases:** Each of the Issuer, the Guarantor and its Subsidiaries (as defined in the Trust Deed) may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any other Subsidiary of the Guarantor, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of Condition 10 (*Events of Default*), Condition 11(a) (*Meetings of Noteholders*) or Condition 12 (*Enforcement*).
- (h) **Cancellation:** All Notes purchased by or on behalf of the Issuer, the Guarantor or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to, or to the order of, the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

## 7 Payments and Talons

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. “**Bank**” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET2 System.
- (b) **Registered Notes and Record Date:**
  - (i) Payments of principal (which, for the purposes of this Condition 7(b), shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
  - (ii) Interest (which, for the purpose of this Condition 7(b), shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date,

such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. Dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments subject to Laws:** All payments are subject in all cases to: (i) any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) 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 any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the approval of the Note Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, Transfer Agents, or Calculation Agent(s), provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require and (v) a Paying Agent having its specified office in a major European city, (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case as approved by the Note Trustee.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. Dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (f) **Unmatured Coupons and Receipts and Unexchanged Talons:**
  - (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes), such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early

Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9 (*Prescription*)).

- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note or Dual Currency Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
  - (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
  - (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
  - (v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
  - (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender, if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and, if necessary, another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9 (*Prescription*)).
- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(h), “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” hereon, and:
- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
  - (ii) (in the case of a payment in euro) which is a TARGET2 Business Day.

## 8 Taxation

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

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Note, Receipt or Coupon;
- (b) **Lawful avoidance of withholding:** to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it), Receipt or Coupon is presented for payment; or
- (c) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date, except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

As used in these Conditions, “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 (*Redemption, Purchase and Options*) or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 (*Interest and Other Calculations*) or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

## 9 Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 10 Events of Default

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

- (a) **Non-Payment:** default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes;
- (b) **Financial Covenants:**
  - (i) **Dividend Coverage Test:** Dividend Coverage in respect of any Relevant Period is less than 2.00:1.
  - (ii) **RCV Test:** the ratio of Consolidated Total Net Debt to RCV on the last day of each Relevant Period exceeds 0.95:1.
  - (iii) **Interest Cover:** Interest Cover in respect of any Relevant Period is less than 2.00:1.
- (c) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is (i) incapable of remedy or, if in the opinion of the Note Trustee capable of remedy, is not in the opinion of the Note Trustee remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by the Note Trustee and (ii) in the opinion of the Note Trustee materially prejudicial to the interests of the Noteholders;
- (d) **Cross-Acceleration:** any other present or future indebtedness of the Issuer or the Guarantor for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual event of default (howsoever described), provided that the aggregate amount of the Financial Indebtedness in respect of which the events mentioned above in this Condition 10(d) have occurred equals or exceeds £25,500,000 or its equivalent (as reasonably determined by the Note Trustee);
- (e) **Failure to pay under a Loan Facility:** default is made in the payment on the due date of interest or principal in respect of any Loan Facility (as defined in the Trust Deed) (after giving effect to any originally applicable grace period);
- (f) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or the Guarantor and is not discharged or stayed within 30 days;
- (g) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person);
- (h) **Insolvency:** the Issuer or the Guarantor is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such

debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or the Guarantor;

- (i) **Winding-up:** an administrator is appointed, an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Issuer or the Guarantor, or the Issuer or the Guarantor shall apply or petition for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Note Trustee or by an Extraordinary Resolution of the Noteholders;
- (j) **Ownership:** the Issuer ceases to be wholly-owned and controlled by the Guarantor;
- (k) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its material obligations under any of the Note Documents;
- (l) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs; or
- (m) **Guarantee:** the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect.

## 11 Meetings of Noteholders, Modification, Waiver and Substitution

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the Guarantee, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and

effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) **Modification of the Trust Deed:** The Note Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed, the Conditions or any other Transaction Document that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Conditions or any other Transaction Document that is in the opinion of the Note Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Note Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

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

- (c) **Substitution:** The Trust Deed contains provisions permitting the Note Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Note Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Issuer's successor in business in place of the Issuer or of the Guarantor's successor in business in place of the Guarantor, or, in each case, in place of any previous substituted company, as principal debtor or, as the case may be, Guarantor under the Trust Deed and the Notes. In the case of such a substitution, the Note Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed, provided that such change would not in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders.
- (d) **Entitlement of the Note Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition 11), the Note Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders, and the Note Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

## 12 Enforcement

Subject to the terms of the Intercreditor Agreement, at any time after the Notes become due and payable, the Note Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, and may give instructions to the Security Trustee in relation to the Security Agreement under the Intercreditor Agreement as a Secured Creditor Representative representing 100 per cent. of the principal amount of the Notes outstanding, provided that the provisions of the Intercreditor Agreement shall determine whether or not the Security Trustee is obliged to comply with those instructions; but it shall not be required to take any such proceedings or give such instructions unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. For the avoidance of doubt, enforcement of the Transaction Security may only take place in accordance with the terms of the Intercreditor Agreement. No Noteholder, Receiptholder or Couponholder

may proceed directly against the Issuer or the Guarantor unless the Note Trustee, having become bound so to proceed and permitted so to do by the Intercreditor Agreement, fails to do so within a reasonable time and such failure is continuing.

### **13 Indemnification of the Note Trustee**

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

The Note Trustee may rely without liability to Noteholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Note Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Note Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Note Trustee and the Noteholders.

### **14 Replacement of Notes, Certificates, Receipts, Coupons and Talons**

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

### **15 Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further securities shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may, be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Note Trustee so decides.



## 16 Notices

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

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

## 17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 (the “**Act**”), but this does not affect any other right or remedy of a third party which exists or is available apart from the Act.

## 18 Governing Law and Jurisdiction

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

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### 1 Initial Issue of Notes

If the Global Notes or the Global Certificates are stated in the relevant Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Where the Global Notes or the Global Certificates issued in respect of any Tranche are in NGN form or issued under the NSS structure, the ICSDs will be notified whether or not such Global Notes or Global Certificates are intended to be held in a manner which would allow Eurosystem eligibility.

Global Notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

If the Global Note is issued in CGN form, upon the initial deposit of a Global Note with a common depository for Euroclear and Clearstream, Luxembourg (the “**Common Depository**”) or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is issued in NGN form, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

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

### 2 Relationship of Accountholders with Clearing Systems

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

### **3 Exchange**

#### **3.1 Temporary Global Notes**

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

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

#### **3.2 Permanent Global Notes**

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

#### **3.3 Exchange provisions relating to Global Notes generally**

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

#### **3.4 Permanent Global Certificates**

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

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

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

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

### **3.5 Partial Exchange of Permanent Global Notes**

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable for Definitive Notes if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms).

### **3.6 Delivery of Notes**

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

### **3.7 Exchange Date**

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

## **4 Amendment to Conditions**

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

### **4.1 Payments**

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange

Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is in CGN form, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) (*Appointment of Agents*) and Condition 8(e) (*Payment by another Paying Agent*) will apply to the Definitive Notes only. If the Global Note is in NGN form or if the Global Certificate is held under the NSS, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and, in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under a Global Note in NGN form will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 7(h) (*Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (the "**Record Date**"), where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

#### **4.2 Prescription**

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 (*Taxation*)).

#### **4.3 Meetings**

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

#### **4.4 Cancellation**

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

#### **4.5 Purchase**

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

#### **4.6 Issuer's Option**

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

#### **4.7 Noteholders' Options**

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

#### **4.8 NGN Nominal Amount**

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

#### **4.9 Trustee's Powers**

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Note Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

#### **4.10 Notices**

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

## BUSINESS DESCRIPTION OF ISSUER

The Issuer was incorporated in England and Wales on 22 December 2010 (registered number 7476767) and is a public limited company under the Companies Act 2006 (as amended). The registered office of the Issuer is at Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU. The telephone number of the Issuer’s registered office is 01480 323 000.

### 1 Ownership

The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, 49,999 shares of which are partly paid to £0.25 each and one of which is fully paid and all of which are legally and beneficially owned by the Guarantor (see “*Business Description of Guarantor*” below)

### 2 Business Activities

The Issuer is a special purpose financing entity with no business operations other than raising external funding for the Guarantor through the issuance of the Notes and other debt finance. The Issuer has no subsidiaries.

The Issuer has not engaged, since its incorporation, in any material activities nor commenced operations other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the issue of the £350,000,000 7.0 per cent. fixed rate Notes due 2018 (the “**2018 Notes**”), the tender of £110,180,000 of 2018 Notes on 30 April 2015, the issue of £210,000,000 5.0 per cent. fixed rate Notes due 30 April 2023, the entry into the Original Facilities Agreement, the refinancing of the 2011 Facilities Agreement by entry into the New Facilities Agreement and the entry into the other Finance Documents referred to in this Prospectus to which it is a party and other matters which are incidental or ancillary to the foregoing. Save as disclosed in this Prospectus, the Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at the date of this Prospectus. The Issuer has no employees.

The Issuer will covenant to observe certain restrictions on its activities which are detailed in the Conditions and the Trust Deed.

### 3 Financial Statements

The accounting reference date of the Issuer is 31 March and the statutory accounts of the Issuer for the 12 months ended 31 March 2015 and 31 March 2016 have been prepared and delivered to the Registrar of Companies. The Issuer will prepare interim accounts. Until 29 July 2016, the auditors of the Issuer were PricewaterhouseCoopers LLP. From 1 September 2016, the auditors of the Issuer are Deloitte LLP, Chartered Accountants.

### 4 Corporate Governance

The following table sets out the directors of the Issuer and their respective business addresses and occupations. Each director has served in office since the incorporation of the Issuer.

Name	Position	Position(s) Outside the Issuer	Business Address
Mr Peter Simpson	Director	Chief Executive Officer - AWS, AWSOH, and AWSH Director and CEO - AWG	Anglian Water Services Limited Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU



Mr Scott Longhurst	Director	Director - AWS, AWSOH and AWSH Managing Director, Finance and Non-Regulated Business - AWG	Anglian Water Group Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU
Stephen Billingham	Director	Chairman – AWG Chairman	Anglian Water Group Limited Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU

The company secretary of the Issuer is Claire Russell.

## 5 Conflicts

There are no potential conflicts of interest between any duties to the Issuer of its directors and their private interests or duties.

## **BUSINESS DESCRIPTION OF GUARANTOR**

The Guarantor was incorporated in England and Wales on 24 August 2006 (registered number 05915896) as a private limited company under the Companies Act 1985 (as amended). The registered office of the Guarantor is at Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU. The telephone number of the Guarantor's registered office is 01480 323 000.

### **1 Ownership**

The issued share capital of the Guarantor comprises 85,415,751,649 ordinary shares of one pence each, all of which are beneficially owned by Osprey Holdco Limited.

### **2 Business Activities and Subsidiaries**

The Guarantor is a holding company with no material, direct business operations which was incorporated for the purposes of acquiring AWG Parent Co Limited (formerly AWG Plc) which it completed in November 2006 for an enterprise value of £5.6 billion, reflecting a 22 per cent. premium to the regulated asset value. The Guarantor holds the entire issued share capital of AWG Parent Co Limited. The Guarantor was formed at the direction of a consortium made up of Australian and Canadian pension funds and United Kingdom Infrastructure funds and comprising Canada Pension Plan Investment Board, Colonial First State Global Asset Management (the asset management division of Commonwealth Bank of Australia), IFM Investors and 3i Group plc. Following the acquisition, the Guarantor is the holding company for the Group which is principally represented by AWS, a regulated water and wastewater company serving in excess of six million customers in the East of England and Hartlepool.

For a description of the business of AWG Parent Co Limited and its subsidiaries, including AWS, see "*Chapter 4 – Anglian Water Business Description*" of the AWS Base Prospectus, which is incorporated by reference in this Prospectus (see "*Documents Incorporated by Reference*").

The Guarantor is the beneficial owner of the entire issued share capital of the Issuer.

The Guarantor will covenant to observe certain restrictions on its activities which are set out in the Trust Deed and the Conditions.

Until 29 July 2016, the auditors of the Guarantor were PricewaterhouseCoopers LLP, Chartered Accountants. From 1 September 2016, the auditors of the Guarantor are Deloitte LLP, Chartered Accountants.

### **3 Corporate Governance**

The following table sets out the directors of the Guarantor and their respective business addresses and occupations:

<b>Name</b>	<b>Position</b>	<b>Position(s) Outside the Guarantor</b>	<b>Business Address</b>
Cressida Hogg	Director	Managing Director and Head of Infrastructure	CPP Investment Board 33 Cavendish Square London W1G 0PW
Mr Phillip White	Director	Managing Partner - 3i Infrastructure	3i plc 16 Palace Street London SW1E 5JD

Mr Scott Longhurst	Director	Director - AWS Managing Director, Finance and Non- Regulated Business - AWG	Anglian Water Group Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU
Mr Niall Mills	Director	Partner - Direct Infrastructure, Europe	First State Investments (UK) Ltd 3rd Floor 30 Cannon Street London EC4M 6YQ
Stephen Billingham	Director	Chairman – AWG	Anglian Water Group Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU
Mr Alexandros Nassuphis	Director	Director – First State Investments	First State Level 4 Darling Park Tower 1, 201 Sussex Street Sydney NSW 2000 Australia
Mr Manoj Mehta	Director	Executive Director, Infrastructure	IFM (UK) Limited 3rd Floor 60 Gresham Street London EC2V 7BB
Mr Peter Simpson	Director	Chief Executive Officer - AWS CEO - AWG	Anglian Water Services Limited Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU
Robert Napier	Director	Chairman	Homes and Communities Agency Arpley House 110 Birchwood Boulevard Warrington WA3 7QH

The company secretary of the Guarantor is Claire Russell.

#### 4 Conflicts

There are no potential conflicts of interest between any duties to the Guarantor of its directors and their private interests or duties.

## OVERVIEW OF THE KEY DOCUMENTS

### Trust Deed

#### *General*

The Trust Deed between the Issuer, the Guarantor and the Note Trustee contains, amongst other things, the following provisions:

- (a) the Issuer's covenant to the Note Trustee (who holds the benefit of the covenant on trust for the Noteholders) to pay the principal and interest on the Notes in accordance with the Conditions;
- (b) the Issuer's liberty from time to time (but subject always to the provisions of the Trust Deed) without the consent of the Noteholders or the Couponholders to create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest in respect of such Notes) and so that such further issues shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue;
- (c) requirements in relation to Global Notes and Definitive Notes;
- (d) the Guarantee given by the Guarantor as further described below;
- (e) the covenants and undertakings of the Issuer and the Guarantor as further described below;
- (f) the Note Trustee's power to approve, authorise or waive any breach or proposed breach of any of the covenants or provisions of the Trust Deed or the Conditions or determine that any Event of Default or Potential Event of Default shall not be treated as such for the purposes of the Trust Deed, provided that the Note Trustee shall not exercise any powers conferred upon it by such provision in contravention of any express direction by an Extraordinary Resolution (as defined in the Trust Deed) or of a request pursuant to Condition 10 (*Events of Default*);
- (g) provisions relating to meetings of Noteholders; and
- (h) the appointment, retirement, removal, remuneration, indemnification and liability of the Note Trustee.

#### *Guarantee*

The Guarantor unconditionally and irrevocably guarantees that if the Issuer does not pay any sum payable by it under the Trust Deed, the Notes, the Receipts or the Coupons at the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise), the Guarantor will pay or procure the payment of that sum to or to the order of the Note Trustee, according to the terms of the Trust Deed and the Notes and the Coupons. In case of the failure of the Issuer to pay any such sum as and when the same becomes due and payable, the Guarantor agrees to cause such payment to be made as and when the same becomes due and payable, as if such payment were made by the Issuer.

The Guarantor unconditionally and irrevocably agrees, as an independent primary obligation, that it will pay to the Note Trustee sums sufficient to indemnify the Note Trustee and each Noteholder and Couponholder against any loss suffered by it as a result of any sum expressed to be payable by the Issuer under the Trust Deed, the Notes or the Receipts or Coupons not being paid on the date and otherwise in the manner specified in the Trust Deed or any payment obligation of the Issuer under the Trust Deed, the Notes or the Receipts or Coupons being or becoming void, voidable or unenforceable for any reason (whether or not now existing and

whether or not now known or becoming known to the Note Trustee, any Noteholder or any Couponholder), the amount of that loss being the amount expressed to be payable by the Issuer in respect of the relevant sum.

The Guarantor's guarantee and indemnity is a continuing guarantee and indemnity and shall remain in full force and effect until all amounts due in respect of the Notes, the Receipts or Coupons or under the Trust Deed have been paid in full. The Guarantor shall not be discharged by anything other than a complete performance of the obligations under the Trust Deed and the Notes and the Guarantor shall be subrogated to all rights of the Note Trustee and the Noteholders against the Issuer in respect of any amounts paid by the Guarantor pursuant to the Trust Deed.

The Guarantor has, pursuant to the Security Agreement, secured its obligations under the Guarantee. Enforcement of the security created pursuant to the Security Agreement is subject to the Intercreditor Agreement. The payment obligations of the Guarantor in respect of the Guarantee constitute direct, secured, irrevocable and unconditional obligations of the Guarantor.

### ***Covenants of the Issuer and the Guarantor***

So long as any Note or any Coupon is outstanding, each of the Issuer and the Guarantor will:

- (a) not enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to acquire any assets, if such acquisition would negatively impact the ratings of the Notes and/or result in the ratio of Consolidated Total Net Debt to RCV on the last day of the most recent Relevant Period exceeding 0.9:1;
- (b) not enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to dispose of any of its (direct or indirect) interests in the Licence Holder where such disposal results in the Group ceasing to hold beneficially all of the issued share capital of the Licence Holder;
- (c) not enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction other than a Permitted Transaction;
- (d) not be a creditor in respect of any Financial Indebtedness, other than in respect of any Permitted Loan, Permitted Transaction or Permitted Guarantee;
- (e) not incur or allow to remain outstanding any guarantee in respect of any obligation of any person, other than any Permitted Transaction or Permitted Guarantee; and the Obligors shall ensure that no Non-Regulated Subsidiary will incur or allow to remain outstanding any guarantee in respect of any obligation of any Non-Group Person, other than any Permitted Transaction or Permitted Guarantee, where "**Non-Group Person**" means any person other than any member of the Group;
- (f) at all times carry on and conduct its affairs and procure its Subsidiaries to carry on and conduct their respective affairs in a proper and efficient manner;
- (g) give or procure to be given to the Note Trustee such opinions, certificates, information and evidence as it shall require and in such form as it shall reasonably require, for the purpose of the discharge or exercise of the duties, trusts, powers, authorities and discretions vested in it under the Trust Deed, any other Transaction Document or by operation of law;
- (h) cause to be prepared and certified by the Auditors, in respect of each of its financial years, accounts in such form as will comply with all relevant legal and accounting requirements and all requirements for the time being of the London Stock Exchange or such other stock exchange on which the Notes may be listed from time to time;

- (i) at all times keep and procure its Subsidiaries to keep proper books of account, and allow and procure its Subsidiaries to allow, after an Event of Default or Potential Event of Default, or if the Note Trustee has reasonable grounds for so requiring, the Note Trustee and any person appointed by the Note Trustee to whom the Issuer, the Guarantor or the relevant Subsidiary (as the case may be) shall have no reasonable objection, free access to such books of account at all reasonable times during normal business hours and make available its annual audited accounts to the Paying Agents at their specified offices for inspection by Noteholders and Couponholders;
- (j) at all times maintain Paying Agents in accordance with the Conditions;
- (k) use all reasonable endeavours to maintain the listing of the Notes on the official list of the Financial Conduct Authority under Part VI of the FSMA and admission to trading on the Market, or, if it is unable to do so having used its reasonable endeavours or if the Note Trustee agrees with the Issuer that the maintenance of such listing is unduly onerous and the Note Trustee is satisfied that to do so would not be materially prejudicial to the interests of the Noteholders, use its reasonable endeavours to obtain and maintain a quotation or listing of the Notes on an EEA Regulated Market or on such other stock exchange or exchanges or securities market or markets as the Issuer may (with the prior written approval of the Note Trustee) decide and shall also, upon obtaining a quotation or listing of the Notes on such other stock exchange or exchanges or securities market or markets, enter into a trust deed supplemental to the Trust Deed to effect such consequential amendments to the Trust Deed as the Note Trustee may require or as shall be requisite to comply with the requirements of any such stock exchange(s) or securities market(s);
- (l) supply to the Note Trustee: (x) their respective audited financial statements for each of the financial years within 180 days of the end of the relevant financial period; and (y) their respective interim financial statements for each of the financial years within 120 days of the end of the relevant financial period;
- (m) in respect of the Guarantor only, supply to the Note Trustee a Compliance Certificate (in the form set out in Schedule 4 (*Form of Compliance Certificate*) to the Trust Deed) with each set of audited financial statements supplied to the Note Trustee under paragraph (l)(x) above commencing in respect of the year ending 31 March 2011, provided that the Compliance Certificate must be signed by two authorised signatories of the Guarantor;
- (n) supply to the Note Trustee (i) within seven days after demand by the Note Trustee therefore a certificate signed by two authorised signatories of the Issuer and the Guarantor, respectively and (ii) (without the necessity for demand) promptly after the publication of its audited financial statements in respect of each year, commencing with the year ending 31 March 2011 and in any event not later than 180 days after the end of such year, a certificate signed by two authorised signatories of the Guarantor, to the effect that there does not exist and had not existed since the certification date of the previous certificate (or, in the case of the first such certificate, the date hereof) any Event of Default or any Potential Event of Default (or if such exists or existed specifying the same);
- (o) send to the Note Trustee, not less than three days prior to the date on which any such notice is to be given, the form of every notice to be given to the Noteholders in accordance with Condition 16 (*Notices*) and obtain the prior written approval of the Note Trustee to, and promptly give to the Note Trustee two copies of, the final form of every notice to be given to the Noteholders in accordance with Condition 16 (*Notices*) (such approval, unless so expressed, not to constitute approval for the purposes of section 21 of the FSMA of a communication within the meaning of section 21 of the FSMA);
- (p) comply with and perform all its obligations under the Note Documents and the Intercreditor Agreement and use all reasonable endeavours to procure that the Paying Agents comply with and

perform all their respective obligations under the Agency Agreement and any notice given by the Note Trustee pursuant to the Trust Deed;

- (q) at all times execute and do all such further documents, acts and things as may be necessary at any time or times in the opinion of the Note Trustee to give effect to the Note Documents and the Intercreditor Agreement;
- (r) prior to making any modification or amendment or supplement to the Trust Deed, if reasonably requested, procure the delivery of legal opinion(s) as to English and any other relevant law, addressed to the Note Trustee, dated the date of such modification or amendment or supplement, as the case may be, and in a form acceptable to the Note Trustee from legal advisers acceptable to the Note Trustee;
- (s) unless the Note Trustee has already been so notified, notify the Note Trustee of the occurrence of any Event of Default or Potential Event of Default relating to it (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence;
- (t) give at least 14 days' prior notice to the Noteholders of any future appointment, resignation or removal of a Paying Agent or of any change by a Paying Agent of its specified office and not make any such appointment or removal without the Note Trustee's written approval;
- (u) not amend, vary, novate, supplement, supersede, waive, terminate or permit to become invalid or ineffective any term of a Note Document or the Intercreditor Agreement without the prior written consent of the Note Trustee;
- (v) notify the Rating Agencies then rating the Notes of any such amendment, variation, novation, supplementation, succession, waiver or termination of a Note Document (unless deemed not to be reasonably likely to be materially prejudicial to the interests of Noteholders) made in accordance with the sub-paragraph above;
- (w) furnish, or procure that there is furnished, from time to time, any and all documents, instruments, information and undertakings that may be necessary in order to maintain the current ratings of the Notes by the Rating Agencies (save that when any such document, instrument, information and/or undertaking is not within the possession or control of the Issuer, the Issuer agrees to use all reasonable efforts to furnish, or procure that there is furnished, from time to time any such documents, instruments, information and undertakings as may be necessary in order to maintain the current ratings of the Notes by the Rating Agencies);
- (x) pay moneys payable by it to the Note Trustee without set-off, counterclaim, deduction or withholding, unless otherwise compelled by law and, in the event of any deduction or withholding compelled by law, will pay such additional amount as will result in the payment to the Note Trustee of the full amount which would otherwise have been payable by it to the Note Trustee under the Trust Deed;
- (y) ensure that at all times any secured and unsubordinated claims of a Noteholder against it under the Note Documents rank at least *pari passu* to the claims of all its unsecured and unsubordinated creditors, except those creditors whose claims are mandatorily preferred by laws of general application to companies; and
- (z) at any time at which (A) the ratio of Consolidated Total Net Debt to RCV is more than 0.93:1 or (B) any Event of Default is continuing or would occur immediately after the making of the payment, not (and shall procure that no member of the Group shall make any of the payments referred to below to any direct or indirect shareholder of the Guarantor):
  - (i) declare, make or pay any dividend, charge, fee, any amount by way of intercompany loan or Subordinated Debt, or other distribution (or interest on any unpaid dividend, charge, fee or

other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital); or

- (ii) repay or distribute any dividend or share premium reserve,  
other than, in relation to the Guarantor only, a Permitted Distribution.

### ***Covenants of the Issuer***

The Issuer covenants with the Note Trustee that, so long as any of the Notes or Coupons remain outstanding, it will:

- (a) not incorporate or acquire any Subsidiaries;
- (b) not carry on any business or enter into any documents other than those contemplated by or permitted in the Note Documents;
- (c) not transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (d) hold itself out as a separate entity, conduct its business in its own name and maintain an arm's length relationship with its Affiliates; and
- (e) observe all formalities required by its Articles of Association.

### ***Covenants of the Guarantor***

The Guarantor covenants with the Note Trustee, so long as any of the Notes or Coupons remain outstanding, that it holds all of the issued share capital of the Issuer.

### ***Financial Covenants***

- (a) *Financial Ratios*

Each of the Issuer and the Guarantor shall ensure that:

- (i) *Dividend Coverage Test*: Dividend Coverage in respect of any Relevant Period shall not be less than 2.00:1.
- (ii) *RCV Test*: the ratio of Consolidated Total Net Debt to RCV on the last day of each Relevant Period shall not exceed 0.95:1.
- (iii) *Interest Cover*: Interest Cover in respect of any Relevant Period shall not be less than 2.00:1.

- (b) *Financial Testing*

The financial ratios referred to at paragraphs (a) (Financial Ratios) and (b) (Additional Financial Indebtedness) above shall be calculated in accordance with the Accounting Principles and tested by reference to the most recent audited annual financial statements delivered pursuant to paragraph (l) of the section entitled "Covenants of the Issuer and the Guarantor" above, provided that no item shall be taken into account more than once for the purposes of making such calculations.



### ***Governing Law***

The Trust Deed (and any non-contractual obligations arising out of or in connection with it) shall be governed by English Law.

### **Issuer/Guarantor Loan Agreements**

All Financial Indebtedness raised by the Issuer from time to time (whether through the issue of Notes or raising of debt under the New Facilities Agreement) will be backed by an aggregate nominal amount of debt owed by the Guarantor to the Issuer under a loan agreement (the “**Issuer/Guarantor Loan Agreements**”). Each advance under the Issuer/Guarantor Loan Agreements will relate to the principal amount of the relevant Notes issued by the Issuer on an Issue Date or the principal amount of debt raised under the New Facilities Agreement or any other Loan Facility. The Issuer’s obligations to repay principal and pay interest on the Notes are intended to be met primarily from the repayments of principal and payments of interest received from the Guarantor under the Issuer/Guarantor Loan Agreements and, to the extent that the Issuer has hedged its exposure to such payments under a Hedging Agreement, from payments received by the Issuer under such Hedging Agreement. The business of the Guarantor demonstrates the capacity to produce funds to service any payments due and payable under the Issuer/Guarantor Loan Agreements. The Guarantor will use the funds from the Issuer to refinance its existing indebtedness (including the repayment of the Original Facilities Agreement) and finance its working capital requirements.

All advances to be made by the Issuer under the Issuer/Guarantor Loan Agreements will be in a currency and in amounts and at rates of interest set out in the relevant Final Terms, the New Facilities Agreement or any other Loan Facility (as applicable) or, if hedged by the Issuer, at the hedged rate and will have interest payment dates on the same dates as the related Notes or advance under the New Facilities Agreement or any other Loan Facility. Interest on each advance made under an Issuer/Guarantor Loan Agreements will accrue from the date of such advance. In addition, each advance will be repayable on the same date as the related Notes or advance under the New Facilities Agreement.

The Issuer/Guarantor Loans are repayable on demand by the Issuer or may be prepaid by the Guarantor in each case together with (i) interest accrued thereon and any other amounts due or owing to the Issuer at such time and (ii) if the Issuer has elected to redeem the Notes in accordance with Condition 6(d) (*Redemption at the Option of the Issuer*), an amount equal to the excess of the Redemption Price (as defined in Condition 6(d) (*Redemption at the Option of the Issuer*)) over the principal amount of the Issuer/Guarantor Loans (if any).

### ***Governing Law***

The Issuer/Guarantor Loan Agreements (and any non-contractual obligations arising out of or in connection with them) shall be governed by English Law.

### **Agency Agreement**

The Agency Agreement, which will be entered into between the Issuer, the Guarantor, the Issuing and Paying Agent and the Note Trustee, includes, amongst other things, the following provisions:

- (a) the duties of the Issuing and Paying Agent and the Paying Agents and the terms on which they are appointed, or on which such appointment may be resigned or terminated or any additional or successor Paying Agents may be appointed;
- (b) indemnity by the Issuer (failing whom, the Guarantor) of each Paying Agent against any claim, demand, action, liability, damages, cost, loss or expense incurred otherwise than by reason of its own

gross negligence, or wilful misconduct, default or bad faith, as a result or arising out of or in relation to its acting as the agent of the Issuer and the Guarantor in relation to the Notes;

- (c) payment by the Issuer (failing whom, the Guarantor) of principal and/or interest in respect of the Notes, as the same becomes due and payable, to the Issuing and Paying Agent, before such payment becomes due and the manner and time of such payments;
- (d) payment by each Paying Agent of principal and interest to Noteholders in respect of the Notes in accordance with the Conditions;
- (e) provisions relating to the notification of the Note Trustee in the event that the Issuing and Paying Agent (i) does not receive on the due date for payment in respect of the Notes, the full amount payable, or (ii) receives such amount after the relevant due date for payment in respect of the Notes;
- (f) provisions relating to the authentication of the Temporary Global Note, the Global Notes and the Definitive Notes, the exchange of the Temporary Global Note for a Global Note, the exchange of the Global Note for Definitive Notes and the issue of replacement Notes and Coupons;
- (g) the keeping of records of the payment, redemption, replacement, cancellation and destruction of Notes; and
- (h) the fees and expenses of the Issuing and Paying Agent and the Paying Agents.

#### ***Governing Law***

The Agency Agreement (and any non-contractual obligations arising out of or in connection with it) shall be governed by English Law.

#### **Intercreditor Agreement**

The Intercreditor Agreement will be entered into between, amongst others, the Issuer, the Guarantor, the Lenders, the Security Trustee, the Note Trustee (on behalf of the Noteholders), the Original Security Trustee, the Issuing and Paying Agent, the Hedge Counterparties and the Subordinated Lenders. For a summary and description of certain terms of the Intercreditor Agreement, see “*Intercreditor, Enforcement and the Credit Agreements*”.

The Original Security Trustee will agree that all proceeds of enforcement of the Existing Security will be shared with all the Secured Creditors in accordance with the priority of payments set out in the Intercreditor Agreement, as applied by the Security Trustee. The Original Security Trustee will retain nominal obligations as security agent for (i) the lenders under the Original Facilities Agreement and (ii) any existing Hedge Counterparties (together the “**Original Finance Parties**”) only and will not owe any duties to the Secured Creditors (save to the extent they are also Original Finance Parties).

#### ***Governing Law***

The Intercreditor Agreement (and any non-contractual obligations arising out of or in connection with it) shall be governed by English Law.

#### **Security Agreement**

The Issuer and the Guarantor will enter into the Security Agreement pursuant to which:

- (a) the Guarantor will grant, as security for the Guarantee but subject to the Existing Security, (i) fixed security over all its shares in the Issuer and AWG Parent Co Limited and all its real property, book debts and bank accounts (other than the bank account (the “**DBIL Account**”) with account number

345273 with Deutsche Bank International Limited in the name of the Guarantor in respect of which Security has been provided to the security trustee for the holders of the Loan Notes or any replacement account subject to the same Security provided to the security trustee for the holders of the Loan Notes to which the DBIL Account is subject), present and future, (ii) an assignment of its rights in respect of the Finance Documents and the Note Documents and (iii) a floating charge over all of its property, undertaking and assets; and

- (b) the Issuer will grant, as security for the Notes, (i) an assignment of its rights in respect of the Finance Documents and the Note Documents, (ii) a fixed charge over all its book debts, bank accounts and investments, present and future and (iii) a floating charge over all of its property, undertaking and assets.

In addition, each of the Issuer and the Guarantor will give certain undertakings in relation to dealings with the charged property. Pursuant to the terms of the Security Agreement, the proceeds of enforcement are required to be applied by the Security Trustee in accordance with the terms of the Intercreditor Agreement.

### ***Governing Law***

The Security Agreement (and any non-contractual obligations arising out of or in connection with it) shall be governed by English Law.

### ***Hedging Agreements***

As at the date of this Prospectus, the Guarantor is party to the Original Hedging Agreements. The Issuer and the Guarantor may enter into additional Hedging Agreements from time to time in accordance with the provisions of the Original Facilities Agreement and the New Facilities Agreement which includes, *inter alia*, a restriction on entering into Hedging Agreements for speculative purposes.

## **INTERCREDITOR, ENFORCEMENT AND THE CREDIT AGREEMENTS**

*The following is a summary of certain terms of the Intercreditor Agreement and the Original Facilities Agreement and the New Facilities Agreement (together, the “Credit Agreements”).*

### **Intercreditor Agreement**

The Intercreditor Agreement amended and restated an intercreditor agreement entered into between certain of the same parties on 10 October 2007.

### **Shared Security**

The Secured Creditors, which include the Note Trustee (on its own behalf and on behalf of the Noteholders), the Original Finance Parties and any Additional Finance Parties, share in the Transaction Security created by the Security Agreement or any other Transaction Security Document. The Secured Creditors (including the Note Trustee for and on behalf of the Noteholders), together with the Issuer and the Guarantor, entered into the Intercreditor Agreement on the 2011 Effective Date which regulates, amongst other things:

- (a) the claims of the Secured Creditors;
- (b) the exercise, acceleration and enforcement of rights by the Secured Creditors;
- (c) consents, amendments, and overrides in respect of the Intercreditor Agreement and any Transaction Security Document; and
- (d) voting by the Secured Creditors.

The Intercreditor Agreement will not regulate amendments, waivers or releases in respect of the Note Documents, the Credit Agreements or any other underlying credit documents that may be entered into from time to time between a Secured Creditor and the Issuer and/or the Guarantor (the Note Documents, the Credit Agreements and any other underlying credit documents from time to time being the “**Underlying Credit Documents**”).

Other future credit providers, including any Hedge Counterparties, may become Secured Creditors from time to time by acceding to the Intercreditor Agreement as Secured Creditors.

### **Secured Creditors and Secured Creditor Representatives**

All Secured Creditors must be party to the Intercreditor Agreement (either directly, or through, in the case of the Noteholders, Couponholders and Receiptholders, the Note Trustee). The Intercreditor Agreement will allow for the following creditors to accede to the Intercreditor Agreement as Secured Creditors by way of an accession deed:

- (a) transferees or assignees of the Subordinated Lenders or Secured Creditors;
- (b) any person which becomes a Secured Creditor Representative in accordance with the terms of the relevant Transaction Documents;
- (c) lenders under any new bank facilities (including transferees); and
- (d) Hedge Counterparties.

For the purposes of the Intercreditor Agreement, the Secured Creditors will be represented as follows by:

- (a) in respect of the Initial Notes and any Additional Notes, the Note Trustee;
- (b) in respect of the Original Finance Documents, the Original Facility Agent;

- (c) in respect of a Loan Facility, the agent in respect of that Loan Facility; and
  - (d) in respect of a Hedging Agreement, the relevant Hedge Counterparty (representing itself),
- (each, a “**Secured Creditor Representative**”).

### ***Claims of the Secured Creditors***

The Intercreditor Agreement will regulate the claims of the Secured Creditors. Amounts received or recovered from time to time by the Security Trustee pursuant to the terms of any Transaction Document or in connection with the realisation or enforcement of all or any part of the Transaction Security are applied in the following order:

- (a) **first**, on a *pro rata* basis:
  - (i) in payment of all fees, costs, charges, expenses and liabilities (including any taxes required to be paid) incurred by or on behalf of the Security Trustee, any receiver or any delegate appointed by the Security Trustee in connection with carrying out its functions under the Intercreditor Agreement and the other Transaction Documents (including in connection with any realisation or enforcement of the Transaction Security); and
  - (ii) in payment or satisfaction of the fees, costs, charges, expenses and liabilities (including any taxes required to be paid properly) incurred by the Note Trustee and any other delegate appointed by it or them in carrying out its or their functions under the Intercreditor Agreement and/or the applicable Note Documents;
- (b) **second**, in payment or satisfaction of the fees, costs, charges, expenses and liabilities properly incurred by the Original Facility Agent, the Issuing and Paying Agent, the Transfer Agent, the Registrar, the Paying Agent, the Calculation Agent and any other agent in carrying out its functions under the Intercreditor Agreement and/or the Original Finance Documents or the Additional Finance Documents applicable to it;
- (c) **third**, on a *pro rata* basis in payment to:
  - (i) the Note Trustee (on behalf of any Noteholders);
  - (ii) the Original Facility Agent (on behalf of the Original Finance Parties);
  - (iii) any agent (on behalf of the relevant Additional Finance Parties); and
  - (iv) each Hedge Counterparty,for application (in accordance with the terms of the relevant Underlying Credit Documents) towards the discharge of the Secured Liabilities;
- (d) **fourth**, if the Security Trustee shall have received written notice from the Issuer and the Guarantor that none of the Issuer and the Guarantor is under any further actual or contingent liability under any Transaction Document, in payment to any person to whom the Security Trustee is obliged to pay in priority to any of the Issuer and the Guarantor, as notified in writing by any of the Issuer and the Guarantor to the Security Trustee; and
- (e) **fifth**, the balance, if any, in payment to the Issuer and the Guarantor (as shall be confirmed in writing to the Security Trustee by any of the Issuer and the Guarantor) for application by the Issuer or, as the case may be, a Guarantor in its discretion, including, if applicable and so decided, towards discharge of the Subordinated Liabilities.

“**Secured Liabilities**” means all the liabilities and all other present and future obligations at any time due, owing or incurred by any of the Issuer or the Guarantor to any Secured Creditor under the Transaction Documents, both actual and contingent and whether incurred solely or jointly and as principal or surety or in any other capacity.

***Enforcement Action***

No Secured Creditor Representative or the Security Trustee (either in relation to the Transaction Security or under the Intercreditor Agreement) may take Enforcement Action in relation to either the Issuer or the Guarantor other than:

- (a) Permitted Enforcement Action; or
- (b) following a Special Decision of the Majority Secured Creditors approving such action.

Following any Permitted Enforcement Action being taken, the Security Trustee shall promptly upon receiving instructions from the Secured Creditor Representative who has taken such Permitted Enforcement Action (in accordance with the terms of the relevant Underlying Credit Document), where such Secured Creditor Representative does not represent the Majority Secured Creditors, seek instructions from the other Secured Creditors in relation to taking Enforcement Action (other than Permitted Enforcement Action).

“**Permitted Enforcement Action**” means:

- (a) the cancellation of any commitments by a Secured Creditor following the occurrence of an event of default (howsoever, described) and/or the acceleration of any Liabilities or any declaration that any Liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Secured Creditor to perform its obligations under, or of any mandatory prepayment arising under, the Transaction Documents) or payable on demand or the premature termination or close-out of any Hedging Liabilities (other than such a close-out on a voluntary basis which would not result in a breach of the relevant Hedging Agreement), in each case, in accordance with the terms of the Underlying Credit Documents; and
- (b) the suing for, commencing or joining of any legal or arbitration proceedings against any of the Issuer and the Guarantor to recover any Liabilities,

in each case, in accordance with the Underlying Credit Documents.

Following any Enforcement Action being taken, the liabilities of all Secured Creditors will automatically be accelerated and, subject to receiving instructions from the Majority Secured Creditors (following a Special Decision of the Majority Secured Creditors) and such indemnities, pre-funding or security as it may require, the Security Trustee shall enforce the Security without need for further instruction.

***Amendments/Waivers and Releases under the Intercreditor Agreement or the Transaction Security Documents***

No amendments or waivers in respect of the Intercreditor Agreement or in respect of the Transaction Security Documents may be made except with the written agreement of the Majority Secured Creditors and subject to the Entrenched Rights of each Secured Creditor.

No amendments or waivers in respect of the Intercreditor Agreement or in respect of the Transaction Security Documents may be made except with the written agreement of the Issuer and the Guarantor.

The Intercreditor Agreement will set out that the following constitute “**Entrenched Rights**” of the Secured Creditors:

- (a) any amendment or waiver which would result in an increase in or would adversely modify the obligations or liabilities of a Secured Creditor or materially reduce the rights of a Secured Creditor, in each case under the Intercreditor Agreement;
- (b) any amendment or waiver which would result in any release of any of the Transaction Security (unless at least equivalent replacement security is taken at the same time or such release is permitted in accordance with the Intercreditor Agreement or the Security Agreement);
- (c) in respect of the Transaction Security, any amendment or waiver which would adversely alter the rights of priority of or enforcement by a Secured Creditor;
- (d) any amendment or waiver which would change any of the Entrenched Rights; or
- (e) any amendment or waiver which would change the Secured Creditor decision-making process contained in the Intercreditor Agreement.

If an Entrenched Right of a Secured Creditor is affected, the relevant Secured Creditor's approval must be obtained in accordance with the provisions of the relevant Underlying Credit Document before the proposed change can be made. No Entrenched Right will prevent enforcement or acceleration instructions or prevent anything expressly permitted by the relevant Underlying Credit Documents.

The relevant Secured Creditors may agree to amend or waive the terms of the Underlying Credit Documents in accordance with the terms of those Underlying Credit Documents without the consent of any Secured Creditors that are not party to such documents.

### ***Voting***

The Intercreditor Agreement will specify that Secured Creditor Representatives may give instructions or directions in respect of:

- (a) the exercise by the Security Trustee of any of its rights, powers and discretions; and
- (b) subject to Entrenched Rights, amendments, waivers and releases under the Intercreditor Agreement and the Transaction Security Documents.

The Security Trustee may request and must act on instructions given by such Secured Creditor Representative or Secured Creditor Representatives representing (i) at least in aggregate 66 2/3 per cent. of Total Commitments where the instructions relate to a Special Decision or (ii) greater than in aggregate 50 per cent. of Total Commitments, where the instructions relate to any Ordinary Decision (the "**Majority Secured Creditors**").

"**Total Commitments**" means:

- (a) prior to the taking of Enforcement Action (i) the total commitments under the Finance Documents, plus (ii) the aggregate principal amount outstanding (including, if applicable, any accretion due to indexation) under the Notes issued under the Note Documents; and
- (b) following the taking of Enforcement Action, (i) the aggregate principal amount outstanding under the Finance Documents and the Note Documents (including, if applicable, any accretion due to indexation), plus (ii) the aggregate Positive Value of the Hedging Liabilities, provided that, in respect of an amount denominated in a currency other than pounds sterling, such amount expressed in pounds sterling on the basis of the applicable Exchange Rate.

“**Positive Value**” means in respect each Hedge Counterparty, the positive amount (if any) due to that Hedge Counterparty from the Issuer or the Guarantor (as applicable) following termination of the relevant Hedging Agreements due to Enforcement Action.

“**Exchange Rate**” means the spot rate at which any currency is converted to pounds sterling as quoted by The Royal Bank of Scotland plc and Lloyds Bank plc as at 11:00 a.m. on the final Business Day on which Secured Creditors may vote on any matter on which the Security Trustee has sought the instructions of the Majority Secured Creditors pursuant to the Intercreditor Agreement.

In relation to any consent, waiver, approval, discretion, determination, instruction or other decision or any other derivative thereof (the “**decision**”) to be made pursuant to the Intercreditor Agreement, the Security Trustee shall notify the Obligors and each Secured Creditor Representative of the matter in question and shall also inform each Secured Creditor Representative of the date on which it must provide its vote in relation to the relevant decision (being 30 Business Days after the date upon which the Security Trustee gives such notice) (the “**Decision Date**”).

Each Secured Creditor Representative shall, by the Decision Date, provide to the Security Trustee a certificate setting out directions to the Security Trustee as to the decision of its Secured Creditors, and the certificate shall include the Commitments in respect of the relevant Underlying Credit Document.

If a Secured Creditor Representative has not notified the Security Trustee of its instructions in relation to a decision by the Decision Date, then in respect of any decision which is required to be made by the Majority Secured Creditors, the Commitments in respect of the relevant Underlying Credit Document shall be excluded from:

- (a) the Total Commitments to be considered as voting in favour of the relevant decision (the numerator); and
- (b) the Total Commitments to be used for determining whether the requisite percentage of votes has been cast in favour of the matter in question (the denominator),

for the purpose of determining whether the requisite voting levels have been attained in relation to that decision, provided that such a reduction in voting entitlement shall not apply to any matter where an Entrenched Right is affected.

In respect of Underlying Credit Documents which constitute a series of Notes, the holders of such Notes will be represented in their entirety by the Note Trustee (100 per cent. of principal outstanding will be voted for or against based on the voting mechanics in the Trust Deed).

In respect of Underlying Credit Documents which are bank facilities, the lenders will be represented in their entirety by the agent in respect of the relevant facility (100 per cent. of commitments or principal outstanding (as the case may be) will be voted for or against based on the voting mechanics in the relevant facility agreement).

In respect of the Hedge Counterparties, each Hedge Counterparty will vote the aggregate Positive Value under the relevant hedging agreement.

#### ***Existing Security and the Original Security Trustee***

The Intercreditor Agreement is expressed not to have any effect on the Existing Security granted by the Guarantor in favour of the Original Security Trustee under the Guarantor Debenture. The Existing Security excludes the security granted under a security over shares agreement pursuant to which Holdco granted, in favour of the Original Security Trustee, security over the shares held by it in the capital of AWG Parent Co Limited (the “**Security Shares**”) dated 29 November 2007 (the “**Security over Shares Agreement**”). The



Original Security Trustee has consented to the release of the security granted under the Security over Shares Agreement, provided that (i) on, or prior to, the date of this Prospectus, Holdco transfers the Security Shares to the Guarantor and (ii) the Guarantor grants security over the Security Shares to the Security Trustee pursuant to the Security Agreement. The Original Security Trustee acknowledges that it has obtained the requisite consent from the Original Secured Creditors to enter into and agree to the terms of the Intercreditor Agreement and the Security Agreement and consents to the granting of the Security by the Issuer and the Guarantor pursuant to the Security Agreement, notwithstanding the terms of the Guarantor Debenture.

The Intercreditor Agreement is expressed not to modify, reduce or have any effect on the powers or rights (including rights of enforcement) of the Original Security Trustee under the Guarantor Debenture or any of the Original Finance Documents.

Under the Intercreditor Agreement, the Original Security Trustee agrees that it may only enforce any part of the Existing Security in accordance with the Intercreditor Agreement. It shall inform the Security Trustee in writing if it believes its right of enforcement has arisen under the Guarantor Debenture or the Original Finance Documents. Further, the Original Security Trustee shall use all reasonable endeavours to act in accordance with any instructions received from the Security Trustee, subject to being indemnified and/or secured and/or pre-funded to its satisfaction.

The Original Security Trustee, however, will not owe any new duties, obligations or responsibilities to the Secured Creditors (unless they are also Original Finance Parties).

### **New Facilities Agreement**

On 27 March 2015, the Issuer and the Guarantor refinanced the 2011 Facilities Agreement by entering into the New Facilities Agreement. The New Facilities Agreement is substantially identical to the 2011 Facilities Agreement and contains representations and warranties together with covenants and events of default that are, broadly, more extensive than those contained in the terms and conditions of the Notes and in the Trust Deed.

#### ***Events of Default***

The events of default in the New Facilities Agreement include:

- (a) cross acceleration and non-payment cross default in respect of the Notes;
- (b) the occurrence of an event of default (subject to applicable grace periods) under the Common Terms Agreement in respect of the AWS Financing; and
- (c) a breach of the Intercreditor Agreement (subject to a 15 day grace period), loss of, or changes to, the Licence and the occurrence of any event or circumstance which has or could reasonably be expected to have, in the reasonable opinion of the majority lenders, a material adverse effect.

#### ***Covenants***

The covenants in the New Facilities Agreement include:

- (a) restrictions on (i) acquisitions by either the Issuer or the Guarantor, and (ii) a disposal of the Regulated Business by the Guarantor or any member of the Controlled Group; and
- (b) restrictions on the incurrence of Financial Indebtedness and the provision of guarantees (subject to certain exceptions).

#### ***Negative Pledge***

The New Facilities Agreement contains a negative pledge pursuant to which the Issuer and the Guarantor shall not (and the Guarantor must procure that no Non-Regulated Subsidiary shall), subject to certain

exceptions, create or permit to subsist (i) any Security over any of its assets or (ii) "Quasi Security" (each as defined in the New Facilities Agreement).

***Financial Covenants***

Each of the Issuer and the Guarantor is required to comply with similar financial covenants to those described in "Overview of the Key Documents – Financial Covenants" above except that:

- (a) the RCV and Interest Cover covenants are required to be tested on a semi-annual basis;
- (b) for the purposes of the RCV covenant under the New Facilities Agreement, RPI shall be increased for any 'log-ups' of expenditure on major AWS capital projects only in respect of the calculations relating to the acquisitions and dividends covenants; and
- (c) for the purposes of the Dividend Coverage covenant under the New Facilities Agreement, equity cures may not be made more than three times.

***Permitted Enforcement Action***

As a result of the more extensive representations, warranties, covenants and events of default in the New Facilities Agreement, the agent in respect of the New Facilities Agreement (as a Secured Creditor Representative) may take Permitted Enforcement Action at a time when the Note Trustee may not do so. The taking of any Permitted Enforcement Action by the agent in respect of the New Facilities Agreement will trigger the cross acceleration provision in the Notes which will permit the Note Trustee (subject to approval from the Noteholders) to take Permitted Enforcement Action. See "*Enforcement Action*" above.

## TAXATION

### UNITED KINGDOM TAXATION

The following is a general summary of the United Kingdom withholding taxation treatment at the date of this Prospectus in relation to payments of principal and interest in respect of the Notes. These comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of (including redeeming) Notes. They relate only to the position of persons who are absolute beneficial owners of the Notes and may not apply to certain classes of persons such as dealers or certain professional advisors. They assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Notes). Prospective purchasers of Notes should be aware that the particular terms of issue of any Series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other Series of Notes. This summary, as it applies to United Kingdom taxation, is based upon United Kingdom law and HM Revenue & Customs published practice in effect on the date of this Prospectus and is subject to any change in law or practice that may take effect after such date (including with retrospective effect). It assumes that the Finance Bill, as ordered to be printed on 7 July 2016, will be enacted without amendment.

Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Prospective purchasers who are in any doubt as to their tax position should consult their professional advisers.

#### 1 Interest on the Notes

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 Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) by the United Kingdom Listing Authority and are admitted to trading on the regulated market of the London Stock Exchange.

Whilst the Notes are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax (“**United Kingdom withholding tax**”).

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom withholding 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 all other cases, United Kingdom withholding tax at the basic rate (currently 20 per cent.) is generally imposed on interest payments on the Notes, subject to the availability of other reliefs or to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

## 2 Payments in respect of the Guarantee

If the Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes), such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.), subject to the availability of other reliefs or to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty. The exemptions outlined in section 1 (Interest on the Notes) above may not apply to such payments by the Guarantor.

### THE PROPOSED FINANCIAL TRANSACTIONS TAX (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since indicated that it will not participate.

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

However, the FTT proposal remains subject to negotiation between the participating Member States and both the scope of any such tax and timing of its implementation is uncertain. Additional Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

### FATCA WITHHOLDING

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of these rules to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, is not clear at this time. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional securities of a series (as described under “*Terms and Conditions of the Notes—Further Issues*”) that are not distinguishable from Notes issued as part of such series prior to the expiration of the grandfathering period are issued after the expiration of the grandfather period and are subject to withholding under FATCA, then withholding agents may treat all securities within such series, including grandfathered Notes within such series, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## **SUBSCRIPTION AND SALE**

### **Summary of the Dealership Agreement**

Subject to the terms and on the conditions contained in a Dealership Agreement dated 21 January 2011 (the “**Dealership Agreement**”) between the Issuer, the Guarantor, the Permanent Dealers and the Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers or such other Dealers as may be appointed from time to time in respect of any Series pursuant to the Dealership Agreement. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealership Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealership Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

### **Selling Restrictions**

#### **United States**

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

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealership Agreement, it has not offered, sold or, in the case of Bearer Notes, delivered and will not offer, sell or, in the case of Bearer Notes, deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by such Dealer, (or, in the case of an identifiable Tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable Tranche purchased by or through it, in which case the Issuer shall notify such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of any identifiable Tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Tranche) may violate the registration requirements of the Securities Act.

Each issuance of Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer, the Guarantor and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the relevant Final Terms.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States. Distribution of this Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

### **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 Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (i) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (iii) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive (as defined below), 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
- (iv) 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 (ii) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

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

### **United Kingdom**

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

- (i) in relation to any Notes which have 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 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 FSMA by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (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 “**Financial Instruments and Exchange Act**”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, 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)) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other applicable laws, regulations and ministerial guidelines of Japan.

### **Australia**

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia) (“**Corporations Act**”) in relation to the Programme or any Notes has been, or will be, lodged with the Australian Securities and Investments Commission (“**ASIC**”).

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

- (a) has not (directly or indirectly) made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any offering circular or any other offering material or advertisement relating to the Notes in Australia,

unless:

- (i) the aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in other currencies, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act;
- (ii) such action complies with all applicable laws, regulations and directives (including, without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act);
- (iii) such action does not require any document to be lodged with ASIC; and
- (iv) the offer or invitation is not made to a person who is a “retail client” within the meaning of section 761G of the Corporations Act.

### **Switzerland**

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering, nor the Issuer nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

### **Canada**

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

- (a) the sale and delivery of any Notes to any purchaser who is a resident of Canada or otherwise subject to the laws of Canada or who is purchasing for a principal who is a resident of Canada or otherwise subject to the laws of Canada (each such purchaser or principal a “**Canadian Purchaser**”) by such Dealer shall be made so as to be exempt from the prospectus filing requirements, and exempt from or in compliance with the dealer registration requirements, of all applicable securities laws and regulations, rulings and orders made thereunder and rules, Notes and policy statements issued and adopted by the relevant securities regulator or regulatory authority, including those applicable in each of the provinces and territories of Canada (the “**Canadian Securities Laws**”);
- (b) where required under applicable Canadian Securities Laws, (i) it is appropriately registered under the applicable Canadian Securities Laws in each province and territory to sell and deliver the Notes to each Canadian Purchaser that is a resident of, or otherwise subject to the Canadian Securities Laws of, such province or territory, and to whom it sells or delivers any Notes, or (ii) such sale and delivery will be made through an affiliate of it that is so registered if the affiliate is registered in a category that permits such sale and has agreed to make such sale and delivery in compliance with the representations, warranties and agreements set out herein;



- (c) it will comply with all relevant Canadian Securities Laws concerning any resale of the Notes by it and will prepare, execute, deliver and file the report of exempt distribution under NI 45-106 (as defined below) and the Canadian Offering Memorandum, if applicable, required by the applicable Canadian Securities Laws to permit each resale by it of Notes to a Canadian Purchaser;
- (d) it will ensure that each Canadian Purchaser purchasing from it (i) has represented to it that such Canadian Purchaser is a resident in, and subject to the Canadian Securities Laws of, a province or territory of Canada, or is a corporation, partnership, or other entity, resident and created in or organised under the laws of Canada or any province or territory thereof, (ii) has represented to it that such Canadian Purchaser is an “accredited investor” as defined in section 1.1 of National Instrument 45-106-Prospectus and Registration Exemptions (“NI 45-106”) and which categories set forth in the relevant definition of “accredited investor” in NI 45-106 correctly describes such Canadian Purchaser, (iii) has represented to it that it is not a person created or used solely to purchase or hold the Notes as an accredited investor as described in Section 2.3(5) of NI 45-106, and (iv) consents to disclosure of all required information about the purchase to the relevant Canadian securities regulatory authorities;
- (e) the offer and sale of the Notes by the Dealer was not made through or accompanied by any advertisement of the Notes, including, without limitation, in printed media of general and regular paid circulation, radio, television, or telecommunications, including electronic display or any other form of advertising or as part of a general solicitation in Canada by the Dealer;
- (f) it has not provided and will not provide to any Canadian Purchaser any document or other material that would constitute an offering memorandum (other than the Canadian Offering Memorandum prepared in connection with the issue of the relevant Notes to be prepared by the Issuer, in form and content satisfactory to the Dealer, acting reasonably, and provided to the Dealer (the “**Canadian Offering Memorandum**”));
- (g) it will ensure that each Canadian Purchaser purchasing from it is advised that no securities commission, stock exchange or other similar regulatory authority in Canada has reviewed or in any way passed upon the Canadian Offering Memorandum or the merits of the Notes described therein, nor has any such securities commission, stock exchange or other similar regulatory authority in Canada made any recommendation or endorsement with respect to the Notes, provided that a statement to such effect in the Canadian Offering Memorandum delivered to such Canadian Purchaser by the Dealer shall constitute such disclosure;
- (h) it has not made and it will not make any written or oral representations to any Canadian Purchaser (i) that any person will resell or repurchase the Notes purchased by such Canadian Purchaser; (ii) that the Notes will be freely tradeable by the Canadian Purchaser without any restrictions or hold periods; (iii) that any person will refund the purchase price of the Notes; or (iv) as to the future price or value of the Notes; and
- (i) it will inform each Canadian Purchaser purchasing from it (i) that the Issuer is not a “reporting issuer” (as defined under applicable Canadian Securities Laws) and is not, and may never be, a reporting issuer in any province or territory of Canada and there currently is no public market in Canada for any of the Notes, and one may never develop; (ii) that the Notes will be subject to resale restrictions under applicable Canadian Securities Laws; and (iii) such Canadian Purchaser’s name and other specified information will be disclosed to the relevant Canadian securities regulators or regulatory authorities and may become available to the public in accordance with applicable laws, provided that a statement to such effect in the Canadian Offering Memorandum delivered to such Canadian Purchaser by the Dealer shall constitute such disclosure.

## **General**

These selling restrictions may be modified by the agreement of the Issuer, the Guarantor and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

No representation is made by the Issuer, the Guarantor or the Dealers that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus, any other offering material or any Final Terms in all cases at its own expense and neither the Issuer, the Guarantor, the Note Trustee nor any of the Dealers shall have responsibility therefor.

## FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

### Final Terms dated [•]

#### ANGLIAN WATER (OSPREY) FINANCING PLC

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

unconditionally and irrevocably guaranteed by Osprey Acquisitions Limited  
under the £1,000,000,000 Guaranteed Secured Medium Term Note Programme

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 12 September 2016 which constitutes a base prospectus for the purposes of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of the Prospectus dated 12 September 2016 [as so supplemented] and these Final Terms. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [www.anglianwater.co.uk](http://www.anglianwater.co.uk) [and] during normal business hours at [address of registered office of the Issuer] [and copies may be obtained from [address]]. The Prospectus and (in the case of Notes listed and admitted to trading on the regulated market of the London Stock Exchange) the relevant Final Terms will also be published on the website of the London Stock Exchange: <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> .

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated 12 September 2016 and incorporated by reference into the Prospectus dated 12 September 2016 [and the supplemental Prospectus dated [•]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive (2003/71/EC (and amendments thereto, including Directive 2010/73/EU)) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated 12 September 2016 [and the supplemental Prospectus dated [•], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. The Prospectuses [and the supplemental Prospectus] are available for viewing at [www.anglianwater.co.uk](http://www.anglianwater.co.uk) [and] during normal business hours at [address of registered office of the Issuer] [and copies may be obtained from [address of registered office of the Issuer]]. The Prospectus and (in the case of Notes listed and admitted to trading on the regulated market of the London Stock Exchange) the relevant Final Terms will also be published on the website of the London Stock Exchange: <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> .]

1. (i) Issuer: Anglian Water (Osprey) Financing plc
  - (ii) Guarantor: Osprey Acquisitions Limited
  2. (i) Series Number: [●]
  - (ii) Tranche Number: [●]
- [The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below][which is expected to occur on or about [●]].
3. Specified Currency or Currencies: [●]
  4. Aggregate Nominal Amount of Notes: [●]
    - (i) Series: [●]
    - (ii) Tranche: [●]
  5. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
  6. (i) Specified Denominations: [●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above [●]]
  - (ii) Calculation Amount: [●]
  7. (i) Issue Date: [●]
  - (ii) Interest Commencement Date: [[●]/Issue Date/Not Applicable]
  8. Maturity Date: [●]/[Interest Payment Date falling in or nearest to[●]]
  9. Interest Basis: [●] per cent. Fixed Rate  
[[LIBOR/EURIBOR] +/- [●] per cent. Floating Rate]  
[Zero Coupon]
  10. Redemption/Payment Basis: [Redemption at par]  
[Dual Currency]  
[Instalment]
  11. Change of Interest or Redemption/Payment Basis: [[●]/Not Applicable]
  12. Put/Call Options: [Investor Put]  
[Issuer Call]

13. [Date [Board] approval for issuance of Notes obtained: [●] [and [●], respectively]]

#### 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 [annually/semi-annually/quarterly/monthly/] in arrear]
  - (ii) Interest Payment Date(s): [[●] [and [●]]in each year up to and including the Maturity Date [adjusted in accordance with [●]/not adjusted]
  - (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
  - (iv) Broken Amount(s): [[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/[Not Applicable]
  - (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA)]
  - (vi) Determination Dates: [[●] [and [●]] in each year]/[Not Applicable]
- 15. Floating Rate Note Provisions** [Applicable/Not Applicable]
- (i) Interest Period(s): [●]
  - (ii) Specified Interest Payment Dates: [●]
  - (iii) First Interest Payment Date: [●]
  - (iv) Interest Period Date: [●]
  - (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
  - (vi) Additional Business Centre(s): [●]
  - (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
  - (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): [●]
  - (ix) Screen Rate Determination:
    - Reference Rate: [LIBOR/EURIBOR]
    - Interest Determination [Second London business day prior to the start of each

Date(s):	Interest Period] [First day of each Interest Period] [Second day on which the TARGET System is open prior to the start of each Interest Period] [[●] business days prior to the start of each Interest Period]
– Relevant Screen Page:	[●]
(x) ISDA Determination:	
– Floating Rate Option:	[●]
– Designated Maturity:	[●]
– Reset Date:	[●]
– ISDA Definitions:	2006
(xi) Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation ( <i>specify for each short or long interest period</i> )]
(xii) Margin(s):	[+/-][●] per cent. per annum
(xiii) Minimum Rate of Interest:	[●] per cent. per annum
(xiv) Maximum Rate of Interest:	[●] per cent. per annum
(xv) Day Count Fraction:	[Actual/Actual] [Actual/Actual- ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]
<b>16. Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]
(i) Amortisation Yield:	[Condition 6(b)(i) ( <i>Zero Coupon Notes</i> ) applies]/[[●] per cent. per annum]
<b>17. Dual Currency Note Provisions</b>	[Applicable/Not Applicable]
(i) Rate of Exchange/method of calculating Rate of Exchange:	[●]
(ii) Party, if any, responsible for calculating the principal	[●]

and/or interest due (if not the Calculation Agent):

- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

## PROVISIONS RELATING TO REDEMPTION

### 18. Call Option [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [●] per Calculation Amount
  - (b) Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period: [●]

### 19. Put Option [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) Notice period (if other than as specified in the Conditions): [●]

### 20. Early Redemption Amount [●]

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of

calculating the same (if required or if different from that set out in Condition 6 (*Redemption, Purchase and Options*)):

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- |   |  |
|---|--|
| 21. Form of Notes:  | <p><b>Bearer Notes:</b></p> <p>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]</p> <p>[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]</p> <p>[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]</p> <p><b>Registered Notes:</b></p> <p>[Regulation S Global Note (U.S. \$/€[●] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]</p> |
| 22. New Global Note:  | [Yes] [No]   |
| 23. Financial Centre(s) or other special provisions relating to payment dates:  | [Not Applicable/[●]]   |
| 24. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [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 left. / No] [Not Applicable]   |
| 26. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:        | [Not Applicable/[●]]   |
| 27. Redenomination, renominatisation and reconventioning provisions:  | [Not Applicable/ [●]]  |
| 28. Consolidation provisions:   | [Not Applicable/ [●]]  |
| 29. U.S. Selling Restrictions:  | [Reg S Compliance Category: TEFRA C/TEFRA D/TEFRA not applicable]  |



Signed on behalf of the Issuer:

By: .....

Duly authorised

Signed on behalf of the Guarantor:

By: .....

Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange with effect from [●].]
- (ii) Estimate of total expenses [●]  
related to admission to trading:

### 2. RATINGS

Ratings: The Notes to be issued have been rated:  
  
[Moody's: [●]]  
  
[Fitch: [●]]

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

Save as discussed in “*Subscription and Sale*”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

### 4. [Fixed Rate Notes only – YIELD

Indication of yield: [●]  
  
Calculated as [●] on the Issue Date.  
  
As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. ]

### 6. [Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE

[●]

### 7. OPERATIONAL INFORMATION

ISIN Code: [●]  
  
Common Code: [●]  
  
Any clearing system(s) other than Euroclear [Not Applicable/[●]]  
Bank S.A./N.V. and Clearstream Banking,  
société anonyme and the relevant identification  
number(s):

## GENERAL INFORMATION

- (1) The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of the 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 temporary Global Note or permanent Global Note (or one or more Certificates) in respect of each Tranche. The listing of the Programme in respect of the Notes was granted on 26 January 2011 and is expected to be updated on or about 12 September 2016. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction.
- (2) Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in England and Wales in connection with the establishment and update of the Programme and the Guarantee. The establishment of the Programme was authorised by a resolution of the board of directors of the Issuer and passed on 6 January 2011, the giving of the Guarantee by the Guarantor was authorised by a resolution of the board of directors of the Guarantor and passed on 6 January 2011 and the update of the Programme was authorised by further resolutions of the board of directors of the Issuer and the Guarantor passed on 7 September 2016.
- (3) **Significant or Material Change**

There has been no significant change in the consolidated financial or trading position of the Guarantor, nor any material adverse change in the financial position or prospects of the Guarantor following the financial year end on 31 March 2016.

There has been no significant change in the financial or trading position of the Issuer, nor any material adverse change in the prospects of the Issuer following financial year end on 31 March 2016.
- (4) There are no, and have not been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Guarantor is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer, the Guarantor or the Group.
- (5) Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend (other than a Temporary Global Note): “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”.
- (6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the relevant Final Terms.
- (7) There are no material contracts entered into other than in the ordinary course of the Issuer’s or Guarantor’s business which could result in either being under an obligation or entitlement that is material to the Issuer’s or Guarantor’s ability to meet its obligations to Noteholders in respect of the Notes being issued.

- (8) Certain information in the AWS Base Prospectus incorporated by reference into this Prospectus has been sourced from Ofwat. All such information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by Ofwat, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer has also identified the source(s) of such information.
- (9) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
- (10) For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer and at the specified offices of the Paying Agents for the time being:
- (i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);
  - (ii) the Agency Agreement;
  - (iii) the Intercreditor Agreement;
  - (iv) the Security Agreement;
  - (v) the Memorandum and Articles of Association of the Issuer and the Guarantor;
  - (vi) the latest published annual report and audited financial statements of the Issuer and the Guarantor;
  - (vii) each set of Final Terms;
  - (viii) a copy of this Prospectus together with the documents, or sections of documents incorporated by reference in this Prospectus, any supplement to this Prospectus or further Prospectus; and
  - (ix) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Prospectus.

This Prospectus, the Final Terms for Notes that are listed on the Official List and admitted to trading on the Market will be published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html>.

- (11) The Issuer has prepared and delivered to the Registrar of Companies financial statements for the financial years ended 31 March 2015 and 31 March 2016. Both the Guarantor and the Issuer will publish interim financial statements.
- (12) PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors of Cornwall Court, 19 Cornwall Street, Birmingham B3 2DT (a member of the Institute of Chartered Accountants in England and Wales) have audited, and rendered unqualified audit reports on, the financial statements of the Guarantor for the seven years ended 31 March 2010, 31 March 2011, 31 March 2012, 31 March 2013, 31 March 2014, 31 March 2015 and 31 March 2016, and the financial statements of the Issuer for the period from 22 December 2010 to 31 March 2011 and for the five financial years ended 31 March 2012, 31 March 2013, 31 March 2014, 31 March 2015 and 31 March 2016 in accordance with International Standards on Auditing (UK and Ireland).

Until 29 July 2016, PricewaterhouseCoopers LLP were the auditors of the Issuer and the Guarantor. From 1 September 2016, the auditors of the Issuer and the Guarantor are Deloitte LLP, Chartered Accountants.

(13) **Dealers transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

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

(14) **Auditors**

From 1 September 2016 the auditors of the Issuer and the Guarantor are Deloitte LLP, Chartered Accountants and Registered Auditors (a member of the Institute of Chartered Accountants in England and Wales), of 22 New Street Square London EC4A 3BZ.

## INDEX OF DEFINED TERMS

“**2006 ISDA Definitions**” means the definitions published by the International Swaps and Derivatives Association Inc. to be used in the documentation of interest rate and currency exchange transactions;

“**2011 Effective Date**” means the date on which each of the conditions precedent set out in the Amendment and Restatement Deed are satisfied or waived in full;

“**2011 Facilities Agreement**” means the £25 million secured revolving forward start credit facility and £200 million secured term forward start facility entered into by the Issuer as borrower and the Guarantor as guarantor on 7 April 2011.

“**Acceptable Bank**” means:

- (a) a bank or financial institution which has a rating for its short-term unsecured and non-credit enhanced debt obligations of A-1 or higher by Standard & Poor's Ratings Services or Fitch Ratings Limited or P-1 or higher by Moody's Investors Service Limited or a comparable rating from an internationally recognised credit rating agency; or
- (b) any other bank or financial institution approved by the Note Trustee (if directed to do so by an Extraordinary Resolution of the Noteholders);

“**Accounting Principles**” means generally accepted accounting principles in the United Kingdom;

“**Additional Finance Documents**” means:

- (a) in respect of a Loan Facility other than that made available under the Original Facilities Agreement, the Finance Documents as defined in the facility agreement governing the terms of such Loan Facility; and
- (b) any Additional Hedging Agreement;

“**Additional Finance Parties**” means in respect of a Loan Facility other than that made available under the Original Facilities Agreement, the Finance Parties (as defined in the relevant Additional Finance Documents); provided that such parties have acceded to the Intercreditor Agreement by executing a Secured Creditor Accession Deed;

“**Additional Hedge Counterparties**” means in respect of any Additional Hedging Agreements, the hedge counterparties under such documents;

“**Additional Hedging Agreement**” means any master agreement, confirmation, schedule or other agreement entered into or to be entered into by an Obligor and an Additional Hedge Counterparty for the purpose of hedging liabilities after the date of this Prospectus;

“**Additional Lenders**” means in respect of a set of Additional Finance Documents the senior lenders under such documents;

“**Additional Note Documents**” means in respect of an issue of Notes by the Issuer other than the initial issuance of Notes, any additional documents governing the terms of such Notes and any loan drawdown documents pursuant to the Issuer/Guarantor Loan Agreements;

“**Additional Note Parties**” means in respect of an issue of Additional Notes by the Issuer, the Noteholders of such Additional Notes and the Note Trustee (on its own behalf and on behalf of the relevant Noteholders) and any agents in respect of such issue of Notes under the relevant Additional Note Documents; provided that any

such agents which are not already party to the Intercreditor Agreement have become Secured Creditors by executing Secured Creditor Accession Deeds;

“**Additional Notes**” means any Notes issued under Additional Note Documents;

“**Affiliate**” means in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company;

“**Agency Agreement**” means the agency agreement relating to the Programme dated 21 January 2011 between the Issuer, the Guarantor, Deutsche Trustee Company Limited as Note Trustee, Deutsche Bank AG, London Branch as initial Issuing and Paying Agent and the other agents mentioned in it;

“**Alternative Clearing System**” means Euroclear, Clearstream, Luxembourg or any other permitted clearing system;

“**Amendment and Restatement Deed**” means the amendment and restatement deed dated 7 January 2011 relating to, among other things, the Original Facilities Agreement and the Intercreditor Agreement and between, among others, the Guarantor, the Issuer, the Original Lenders, the Original Facilities Agent and the Security Trustee;

“**Anglian Water Group**” means Anglian Water Group Limited, a company incorporated under the laws of Jersey, the ultimate holding company of the Anglian Water Group, and its subsidiaries;

“**Anglian Water Services Financing Group**” means the “ring-fenced” financing group created pursuant to the AWS Financing, which consists of Anglian Water Services Holdings Limited, Anglian Water Services Holdings Limited’s wholly-owned subsidiary, Anglian Water Services Overseas Holdings Limited, Anglian Water Services Overseas Holdings Limited’s wholly-owned subsidiary, AWS and AWS’ wholly-owned subsidiary, Anglian Water Services Financing Plc (see diagram under the section entitled “*Overview of Osprey Acquisitions Limited and its Subsidiaries*”);

“**Anglian Water Services Holdings Limited**” and “**AWS Holdings**” means Anglian Water Services Holdings Limited, a United Kingdom incorporated wholly-owned subsidiary of AWG Group Limited;

“**Anglian Water Services Overseas Holdings Limited**” and “**AWS Overseas Holdings**” means Anglian Water Services Overseas Holdings Limited, a Cayman Islands incorporated wholly-owned subsidiary of Anglian Water Services Holdings Limited;

“**Arrangers**” means BNP Paribas and Morgan Stanley & Co. International plc;

“**Auditors**” means PricewaterhouseCoopers LLP or, if they are unable or unwilling to carry out any action requested of them under the Trust Deed, such other firm of accountants as may be nominated or approved in writing by the Note Trustee for the purpose;

“**Australian dollars**” means the lawful currency of Australia;

“**AWG Group**” means AWG Parent Co Limited and its Subsidiaries;

“**AWG Group Limited**” means AWG Group Limited (formerly Anglian Water Plc), a company incorporated under the laws of England and Wales and formerly listed on the London Stock Exchange, a wholly-owned subsidiary of AWG Parent Co Limited;

“**AWG Parent Co Limited**” means AWG Parent Co Limited (formerly AWG Plc), a company incorporated under the laws of England and Wales with registered number 03936645;

“**AWS Base Prospectus**” means the base prospectus in respect of the Anglian Water Services Financing Plc €10,000,000,000 Global Secured Medium Term Note Programme base prospectus dated, and approved by the

UK Listing Authority on, 12 September 2016 as from time to time amended, supplemented, updated or replaced;

“**AWS Financing**” means the corporate restructuring and financing implemented in 2002, as described in the “*Risk Factors*” section;

“**AWS**” means Anglian Water Services Limited;

“**Base Currency**” means pounds sterling;

“**Bearer Note**” means a Note that is in bearer form, and includes any replacement Bearer Note issued pursuant to the Conditions and any temporary Global Note or permanent Global Note;

“**Board of Ofwat**” means the Board of Ofwat as identified under the Water Act;

“**Borrower Net Finance Charges**” means for any Relevant Period and in respect of the Guarantor, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment penalties or premiums and other finance payments in respect of Borrowings whether paid, payable or capitalised in respect of that Relevant Period:

- (a) **including** the interest element of leasing and hire purchase payments;
- (b) **including** any accrued commission, fees, discounts and other finance payments payable by the relevant member of the Group under any interest rate hedging arrangement;
- (c) **deducting** any accrued commission, fees, discounts and other finance payments owing to the relevant member of the Group under any interest rate hedging instrument;
- (d) **deducting** any interest paid or payable to any member of the Group on any deposit or bank account or on any Cash Equivalent Investments;
- (e) **excluding** any Transaction Costs;
- (f) **excluding** any interest (capitalised or otherwise) in respect of any Subordinated Debt;
- (g) **excluding** any indexation of principal in respect of any index-linked Borrowings owed by the Guarantor;
- (h) **excluding** any non-cash interest charge in respect of any pensions deficit under any Pension Scheme in respect of which any member of the Group has any actual or contingent liability; and
- (i) **excluding** any amortisation of fees, costs and expenses incurred in connection with the raising of any Borrowings.

For the avoidance of doubt, any repayment or prepayment of principal in respect of any Borrowings shall not form part of Borrower Net Finance Charges;

“**Borrowings**” means at any time, the outstanding principal, capital or nominal amount (including any capitalised interest or any indexation of principal in respect of any index-linked borrowings) and any fixed or minimum premium payable on prepayment or redemption of any indebtedness (other than indebtedness owed by one member of the Group to another member of the Group) for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;



- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the Accounting Principles, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold or discounted on a non-recourse basis);
- (f) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution, excluding, for the avoidance of doubt, any counter-indemnity which is in respect of any (i) performance bonds and/or guarantees; (ii) interest rate shortfall bonds and/or guarantees; or (iii) any bond and/or guarantee given in respect of the Secondary Tax Liability, and, in each case, where no call has been made;
- (g) any amount raised by the issue of redeemable shares which are redeemable before the latest Maturity Date of any Notes;
- (h) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind the entry into the agreement is to raise finance or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 120 days after the date of supply;
- (i) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; and
- (j) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above;

**“Business Day”** means a day (other than a Saturday or a Sunday) on which banks are open for general business in London, and:

- (a) (in relation to any date for payment or purchase of a currency other than euro) the principal financial centre of the country of that currency; or
- (b) (in relation to any date for payment or purchase of euro) any TARGET2 Business Day;

**“Cash Collateral”** means with respect to any Borrowings, the relevant borrower crediting a cash amount (in the currency of such Borrowings) to an account held with the relevant lender from which withdrawals may only be made to make a payment to the relevant lender with respect to amounts due and payable in respect of such Borrowings and in respect of which the relevant borrower has granted a first ranking security interest in favour of the relevant lender;

**“Cash Equivalent Investments”** means at any time:

- (a) any investment in marketable debt obligations, including, for the avoidance of doubt, liquidity funds and tax anticipation bonds, issued or guaranteed by the government of the United States of America or any political subdivision of the United States of America, the United Kingdom, any member state of the European Economic Area or any Participating Member State or by an instrumentality or agency of any of them having an equivalent credit rating, maturing within one year of the relevant date of calculation and not convertible or exchangeable to any other security;
- (b) sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an Acceptable Bank (or their dematerialised equivalent);
- (c) any investment accessible within 30 days in money market funds which have a credit rating of either A-1 or higher by Standard & Poor's Ratings Services or F1 or higher by Fitch Ratings Limited or P-1 or, as the case may be, MF1 or higher by Moody's Investor Services Limited;

- (d) demand or time deposits, certificates of deposit and short-term unsecured debt obligations, including commercial paper, provided that the issuing entity or, if such investment is guaranteed, the guaranteeing entity, is rated either A-1 or higher by Standard & Poor's Ratings Services or F1 or higher by Fitch Ratings Limited or P-1 or, as the case may be, MF1 or higher by Moody's Investors Services Limited; or
- (e) any other debt security approved by the Note Trustee (if directed to do so by an Extraordinary Resolution of the Noteholders),

in each case to which any member of the Group is beneficially entitled at that time and which is not issued or guaranteed by any member of the Group or subject to any Security (other than Security arising under the Transaction Security Documents);

“**Certificate**” means a registered certificate representing one or more Registered Notes of the same Series and, save as provided in the Conditions, comprising the entire holding by a Noteholder of his Registered Notes of that Series;

“**Classic Global Note**” or “**CGN**” means a classic global note;

“**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January;

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

“**Commitments**” means:

- (a) prior to the taking of Enforcement Action:
  - (i) in respect of any Loan Facility, the total commitments under such Loan Facility; and
  - (ii) in respect of any series of Notes, the principal amount outstanding (including, if applicable, any accretion due to indexation) under all of such series of Notes; and
- (b) following the taking of Enforcement Action:
  - (i) in respect of any Loan Facility, the principal amount outstanding under such Loan Facility;
  - (ii) in respect of any series of Notes, the principal amount outstanding (including, if applicable, any accretion due to indexation) under all of such series of Notes; and
  - (iii) in respect of any Hedging Agreement, the aggregate Positive Value of the Hedging Liabilities under such Hedging Agreement;

“**Common Safekeeper**” means, in relation to a Series where the relevant Global Note is a NGN or the relevant Global Certificate is held under the NSS, the common safekeeper for Euroclear and Clearstream, Luxembourg appointed in respect of such Notes;

“**Common Terms Agreement**” means the common terms agreement dated 30 July 2002 (as amended and/or restated from time to time) between, among others, Anglian Water Services Holdings Limited, Anglian Water Services Overseas Holdings Limited, AWS, Anglian Water Services Financing Plc and Deutsche Trustee Company Limited;

“**Compliance Certificate**” means a certificate supplied by the Issuer and Guarantor to the Note Trustee certifying compliance with, and setting out, among other things, calculation of, the financial covenants set out in the Trust Deed (See further, “*Overview of the Key Documents – Trust Deed – Financial Covenants*”);

“**Conditions**” means, in respect of the Notes of each Series, the terms and conditions applicable thereto which shall be substantially in the form set out in the section entitled “*Terms and Conditions of the Notes*” in this Prospectus, as modified, with respect to any Notes represented by a Global Certificate or a Global Note, by the provisions of such Global Certificate or Global Note, shall incorporate any additional provisions forming part of such terms and conditions set out in Part A of the relevant Final Terms relating to the Notes of that Series and shall be endorsed on the Definitive Notes, subject to amendment and completion and any reference to a particularly numbered Condition shall be construed accordingly;

“**Consolidated EBITDA**” means the consolidated operating profit of the Group:

- (a) **before deducting** any amount attributable to depreciation or amortisation;
- (b) **before taking into account** any items treated as exceptional or extraordinary items;
- (c) **before deducting** any amount of Tax on profits, gains or income paid or payable by a member of the Group;
- (d) **before deducting** any accrued interest, commission, fees, discounts, prepayment penalties or premiums and other finance payments in respect of Borrowings, whether paid, payable or capitalised by any member of the Group;
- (e) **before taking into account** any accrued interest received, receivable or capitalised to any member of the Group;
- (f) **before taking into account** any realised and unrealised exchange gains and losses, including those arising on translation of currency debt;
- (g) **after adding back** (to the extent otherwise deducted) any loss against book value incurred by a member of the Group on the disposal of any asset during the Relevant Period and any loss arising on any revaluation of any asset during the Relevant Period;
- (h) **after deducting** (to the extent otherwise included) any gain over book value arising in favour of a member of the Group on the Disposal of any asset during the Relevant Period and any gain arising on any revaluation of any asset during the Relevant Period;
- (i) **before deducting** any Transaction Costs;
- (j) **after deducting** the amount of any profit of any member of the Group which is attributable to minority interests;
- (k) **after adding back**, to the extent not included in the financial statements of the Group, the amount of any dividends or profit distributions (net of withholding tax) received in cash by any member of the Group during such Relevant Period from companies which are not members of the Group;
- (l) **after deducting** the amount of any profit of any investment or entity (which is not itself a member of the Group) in which any member of the Group has an ownership interest to the extent that the amount of such profit included in the financial statements of the Group exceeds the amount (net of applicable withholding tax) received in cash by members of the Group through distributions by such investment or entity; and
- (m) **after adding back** the amount of any cash received by members of the Group through distribution by any investment or entity (which is not itself a member of the Group) in which any member of the Group has an ownership interest to the extent that the amount of such cash (net of applicable withholding tax) exceeds the amount of profit of such investment or entity included in the financial statements of the Group,

in each case to the extent added, deducted or taken into account, as the case may be, for the purposes of determining profits of the Group from ordinary activities;

“**Consolidated Net Finance Charges**” means for any Relevant Period and in respect of the Group, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment penalties or premiums and other finance payments in respect of Borrowings whether paid, payable or capitalised in respect of that Relevant Period:

- (a) **excluding** any such obligations paid, payable or capitalised to any other member of the Group;
- (b) **including** the interest element of leasing and hire purchase payments;
- (c) **including** any accrued commission, fees, discounts and other finance payments payable by the relevant member of the Group under any interest rate hedging arrangement;
- (d) **deducting** any accrued commission, fees, discounts and other finance payments owing to the relevant member of the Group under any interest rate hedging instrument;
- (e) **deducting** any interest paid or payable to the relevant member of the Group on any deposit or bank account or on any Cash Equivalent Investments;
- (f) **excluding** any Transaction Costs;
- (g) **excluding** any interest (capitalised or otherwise) in respect of any Subordinated Debt;
- (h) **excluding** any indexation of principal in respect of any index-linked Borrowings forming part of Consolidated Total Net Debt;
- (i) **excluding** any non-cash interest charge in respect of any pensions deficit under any Pension Scheme in respect of which any member of the Group has any actual or contingent liability; and
- (j) **excluding** any amortisation of fees, costs and expenses incurred in connection with the raising of any Borrowings.

For the avoidance of any doubt, any repayment or prepayment of principal in respect of any Borrowings shall not form part of Consolidated Net Finance Charges.

“**Consolidated Total Net Debt**” means, at any time, the aggregate amount of all obligations of the Group for or in respect of Borrowings but:

- (a) **excluding** any liabilities in respect of any interest rate hedging agreement but, for the avoidance of doubt, not excluding any liabilities in respect of any indexation of principal in respect of any index-linked Financial Indebtedness;
- (b) **excluding** any pension liabilities;
- (c) **excluding** any Subordinated Debt made available to the Guarantor by any direct or indirect shareholder in the Guarantor; and
- (d) **deducting** the aggregate amount of cash and Cash Equivalent Investments held by any member of the Group at such time and any Cash Collateral provided by any member of the Group in respect of Borrowings at such time,

and so that no amount shall be included or excluded more than once, provided that in determining the Consolidated Total Net Debt for the purpose of Clause 8.1.2 (*RCV Test*) (the “**RCV test**”) of the Trust Deed, if the November RPI rate per annum preceding the month as of which the RCV test is determined is 2 per cent. greater than the RPI rate per annum applicable to the month as of which the RCV test is

determined (the “**RCV test RPI rate**”), the RPI applicable to any indexation of principal in respect of any index-linked Financial Indebtedness shall be deemed to be equal to the RCV test RPI rate;

“**Controlled Group**” means each member of the Non-Regulated Group;

“**Couponholder**” has the meaning given to it in the Conditions;

“**Coupons**” means the bearer coupons relating to interest-bearing Bearer Notes or, as the context may require, a specific number of them and includes any replacement Coupons issued pursuant to the Conditions;

“**Credit Agreements**” means the Original Facilities Agreement and the New Facilities Agreement;

“**Dealers**” means Barclays Bank PLC, BNP Paribas, HSBC Bank plc, Lloyds Bank plc, Morgan Stanley & Co. International plc and The Royal Bank of Scotland plc, and any other entity which the Issuer and the Guarantor may appoint as a dealer in accordance with the Dealership Agreement;

“**Dealership Agreement**” means the Dealership Agreement relating to the Programme dated 21 January 2011 between the Issuer, the Guarantor, the Arrangers, the Dealers and any other entity which the Issuer and the Guarantor may appoint as a dealer in accordance with the Dealership Agreement together with any agreement for the time being in force amending, replacing, novating or modifying such agreement and any accession letters and/or agreements supplemental thereto;

“**Definitive Note**” means a Bearer Note in definitive form having, where appropriate, Coupons, Receipt(s) and/or a Talon attached on issue and, unless the context requires otherwise, means a Certificate (other than a Global Certificate) and includes any replacement Note or Certificate issued pursuant to the Conditions;

“**Disposal**” means a sale, lease, licence, transfer, loan or other disposal by a person of any asset, undertaking or business (whether by a voluntary or involuntary single transaction or series of transactions);

“**Dividend Amount**” means the aggregate amount of:

- (a) the distributions (whether by way of dividends or the advance of Subordinated Debt or payment of inter-company interest or payments in relation to the utilisation of Advance Corporation Tax or group relief or other tax items) received by the Guarantor from the AWG Group, in each case calculated on an unconsolidated basis; and
- (b) any Equity Cure Amount, where “**Equity Cure Amount**” means any subscription by Holdco for shares in the Guarantor or any advance of Subordinated Debt received by the Guarantor from one or more of its direct or indirect shareholders;

“**Dividend Coverage**” means the ratio of the Dividend Amount to Borrower Net Finance Charges in respect of any Relevant Period;

“**Dual Currency Note**” means a Note in respect of which the amount payable (whether in respect of principal or interest and whether at maturity or otherwise) will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms;

“**ECOFIN Council**” means the Economic and Financial Affairs Council

“**EEA Regulated Market**” means a market which complies with the requirements set out in Article 4.1(14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments;

“**Enforcement Action**” means:

- (a) the acceleration of any Liabilities or any declaration that any Liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Secured Creditor to perform its

obligations under, or of any mandatory prepayment arising under, the Transaction Documents) or payable on demand or the premature termination or close-out of any Hedging Liabilities (other than such a close-out on a voluntary basis which would not result in a breach of the relevant Hedging Agreement);

- (b) the taking of any steps to enforce or require the enforcement of any Transaction Security (including the crystallisation of any floating charge forming part of the Transaction Security);
- (c) the making of any demand against the Issuer or the Guarantor in relation to any guarantee, indemnity or other assurance against loss in respect of any Liabilities or exercising any right to require either the Issuer or the Guarantor to acquire any Liability;
- (d) following the occurrence of an Event of Default, the exercise of any right of set-off against the Issuer or the Guarantor in respect of any Liabilities;
- (e) the suing for, commencing or joining of any legal or arbitration proceedings against the Issuer or the Guarantor to recover any Liabilities;
- (f) the entering into of any composition, assignment or arrangement with the Issuer or the Guarantor (unless approved by the Majority Secured Creditors); or
- (g) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to, the winding-up, dissolution, administration or reorganisation of the Issuer or the Guarantor or any suspension of payments or moratorium of any indebtedness of the Issuer or the Guarantor, or any analogous procedure or step in any jurisdiction;

“**Enterprise Act**” means the Enterprise Act 2002 which received Royal Assent on 7 November 2002, and any subsequent amendments thereto;

“**Entrenched Rights**” means the rights of the Secured Creditors provided by the terms of clause 23.1 of the Intercreditor Agreement and summarised in the section entitled “*Intercreditor, Enforcement and the Credit Agreements*” of this Prospectus;

“**EURIBOR**” means the Euro-zone Inter-Bank Offered Rate;

“**Euro**” or “**€**” means the currency introduced at the third stage of European Economic and Monetary Union pursuant to the Treaty on the functioning of the European Community, as amended from time to time;

“**Euroclear**” means Euroclear Bank S.A./N.V. as operator of the Euroclear System;

“**Eurosystem**” means the European Central Bank and the national central banks of EU Member States that have adopted the Euro;

“**Event of Default**” means an event described in Condition 10 (*Events of Default*) that, if so required by that Condition, has been certified by the Note Trustee to be, in its opinion, materially prejudicial to the interests of the Noteholders;

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located;

“**Existing Security**” means the Security granted by the Guarantor in favour of the Original Security Trustee on behalf of the Original Secured Creditors, pursuant to the Guarantor Debenture, but excluding the Security granted by Holdco pursuant to the Security over Shares Agreement which shall be released pursuant to the Intercreditor Agreement to enable Holdco to transfer the shares which are the subject of such Security to the Guarantor;

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

“**Final Terms**” means, in relation to a Tranche, the Final Terms issued specifying the relevant issue details of such Tranche, substantially in the form set out in the section entitled “*Form of Final Terms*” in this Prospectus;

“**Finance Documents**” means the Original Finance Documents and the Additional Finance Documents;

“**Financial Indebtedness**” means any indebtedness (other than indebtedness owed by one member of the Group to another member of the Group) for or in respect of (without double counting):

- (a) monies borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the Accounting Principles, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold or discounted on a non-recourse basis);
- (f) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the amount (if any) that is recorded as a debt obligation in the most recent financial statements of the relevant member of the Group as at the time of the calculation (or, if any actual amount is due as a result of the termination or close-out of that Treasury Transaction, that amount) shall be taken into account) (provided that, when this definition is used for the purpose of Condition 10(d) (*Cross-Acceleration*), only the net amount not paid or which is payable by the relevant member of the Group thereunder shall be taken into account);
- (g) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution excluding, for the avoidance of doubt any counter-indemnity which is in respect of any (i) performance bonds and/or guarantees; or (ii) interest rate shortfall bonds and/or guarantees; or (iii) any bond and/or guarantee given in respect of the Secondary Tax Liability, and in each case where no call has been made;
- (h) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind entering into the agreement is to raise finance or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 120 days after the date of supply;
- (i) any amount raised by the issue of redeemable shares which are capable of being redeemed by the holders thereof prior to the latest Maturity Date of any Notes;
- (j) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; and

(k) (without double counting) the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (j) above;

“**Financial Year**” means the annual accounting period of the Group ending on or about 31 March in each year;

“**Fixed Rate Note**” means a Note on which interest is calculated at a fixed rate payable in arrear on a fixed date or fixed dates in each year and on redemption or on such other dates as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the relevant Final Terms);

“**Floating Rate Note**” means a Note on which interest is calculated at a floating rate payable in arrear in respect of such period or on such date(s) as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the relevant Final Terms);

“**FSMA**” means the Financial Services and Markets Act 2000, as amended from time to time;

“**Fund**” means any unit trust, investment trust, investment company, limited partnership, general partnership or other collective investment scheme, investment professional (as defined in Article 19(5)(d) of the Financial Services and Markets Act (Financial Promotion) Order 2005), high net worth company, unincorporated association or high value trust (as defined in Article 49(2)(a) to (c) of the Financial Services and Markets Act (Financial Promotion) Order 2005), pension fund, insurance company, authorised person under the FSMA or any body corporate or other entity, in each case the assets of which are managed professionally for investment purposes;

“**Global Certificate**” means a Certificate representing Registered Notes of one or more Tranches of the same Series that are registered in the name of a nominee for one or more clearing systems;

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

“**Group**” means the Guarantor and each of its Subsidiaries for the time being;

“**Guarantor**” means Osprey Acquisitions Limited;

“**Guarantor Debenture**” means the debenture pursuant to which the Guarantor has granted, in favour of the Original Security Trustee on behalf of the Original Secured Creditors, security over all its assets and undertakings dated 10 October 2007 and as amended from time to time;

“**Hedging Agreement**” means the Original Hedging Agreements and any Additional Hedging Agreement;

“**Hedge Counterparties**” means each Original Hedge Counterparty and each financial institution which becomes a party to the Intercreditor Agreement as an Additional Hedge Counterparty in accordance with the provisions of the Intercreditor Agreement;

“**Hedging Liabilities**” means the Liabilities owed by the Issuer or the Guarantor to the Hedge Counterparties under or in connection with the Hedging Agreements;

“**Holdco**” means Osprey Holdco Limited;

“**Holding Company**” means in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary;

“**ICSD**” means International Central Securities Depositories;

“**IDOK**” means an interim determination of K (as that term is defined in the Instrument of Appointment) as provided for in Part IV of Condition B of the Instrument of Appointment;



**“Initial Investors”** means Canada Pension Plan Investment Board, Commonwealth Bank of Australia, Industry Funds Management (Nominees) Limited and 3i Group plc;

**“Initial Investor Affiliate”** means in relation to an Initial Investor:

- (a) any Fund, Trust or company (including any unit trust, investment trust, limited partnership or general partnership) which is controlled by, which is advised by, or which is, or the assets of which are, managed from time to time by:
  - (i) that Initial Investor; or
  - (ii) any Fund, Trust or company which is controlled by that Initial Investor and which forms part of that Initial Investor's consolidated group for accounting purposes,and this shall include any wholly-owned subsidiary of such Fund, Trust or company but, for the avoidance of doubt, shall not include an investee company of an Initial Investor; or
- (b) in relation to Industry Funds Management (Nominees) Limited, or any Initial Investor Affiliate of Industry Funds Management (Nominees) Limited pursuant to paragraph (a) Members Equity or IFBT;

**“IFBT”** means IFBT Company Pty Ltd (Australian Company Number 119748060);

**“Initial Noteholders”** means the Noteholders of the Initial Notes;

**“Initial Notes”** means the first series of notes issued under the Programme;

**“Insolvency Act”** means the Insolvency Act 1986;

**“Instrument of Appointment”** or **“Licence”** means the instrument of appointment dated August 1989 granted by the Secretary of State for Environment for AWS as a water and sewerage undertaking under sections 11 and 14 of the Water Act 1989 (now sections 6, 7, 11 and 12 of the WIA), as modified or amended from time to time;

**“Intercreditor Agreement”** means the intercreditor agreement dated 10 October 2007 (as amended and restated on the 2011 Effective Date) between, among others, the Issuer, the Guarantor and the Security Trustee;

**“Interest Cover”** means the ratio of Consolidated EBITDA to Consolidated Net Finance Charges;

**“Investor’s Currency”** means the currency in which the investor’s financial activities are principally denominated;

**“ISDA”** means the International Swaps and Derivatives Association Inc.;

**“Issuer/Guarantor Loan Agreements”** means (i) the loan agreement entered into between the Issuer, the Guarantor and the Security Trustee on 21 January 2011; and (ii) the loan agreement entered into between the Issuer, the Guarantor and the Security Trustee on 15 April 2015;

**“Issuer/Guarantor Loan”** means the loans pursuant to the Issuer/Guarantor Loan Agreements;

**“Issuer”** means Anglian Water (Osprey) Financing Plc;

**“Issuing and Paying Agent”** means the person named as such in the Conditions or any Successor Issuing and Paying Agent, in each case, at its specified office;

**“Jerseyco”** means Anglian Water Group Limited (previously known as Osprey Jersey Holdco Limited), a private limited company incorporated under the laws of Jersey with registered number 94523;

“**Joint Venture**” means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity that is not a Subsidiary;

“**Lenders**” means the “Lenders” as defined in the New Facilities Agreement;

“**Liabilities**” means all present and future liabilities, obligations and indebtedness at any time of the Issuer or the Guarantor to any Secured Creditor or any Subordinated Lender (both actual and contingent and whether incurred solely or jointly or in any other capacity) together with any of the following matters relating to or arising in respect of those liabilities and obligations:

- (a) any refinancing, novation, deferral or extension;
- (b) any claim for damages or restitution; and
- (c) any claim as a result of any recovery by the Issuer or the Guarantor of a payment or discharge on the grounds of preference,

and any amounts which would be included in any of the above but for any discharge, non-provability or unenforceability of those amounts in any insolvency or other proceedings;

“**LIBID**” means the London inter-bank bid rate;

“**LIBOR**” means the London inter-bank offered rate;

“**Licence**” shall have the same meaning as Instrument of Appointment;

“**Licence Holder**” means AWS or any successor;

“**LIMEAN**” means the London inter-bank mean rate;

“**Loan Facility**” means a loan facility made available to the Issuer or the Guarantor;

“**Loan Note**” means a loan note issued by the Guarantor pursuant to the Loan Note Document;

“**Loan Note Document**” means the loan note instrument issued by the Guarantor dated 30 November 2006 pursuant to which the Loan Notes are, or are to be, constituted and the security over cash agreement pursuant to which the Guarantor secures its obligations in respect of the Loan Notes;

“**London Stock Exchange**” means The London Stock Exchange Plc;

“**Majority Secured Creditors**” means:

- (a) in respect of any Special Decisions, such Secured Creditor Representative or Secured Creditor Representatives representing at least in the aggregate 66 2/3 per cent. of Total Commitments; and
- (b) in respect of any Ordinary Decisions, such Secured Creditor Representative or Secured Creditor Representatives representing greater than in the aggregate 50 per cent. of Total Commitments;

“**Market**” means the EEA Regulated Market of the London Stock Exchange;

“**Members Equity**” means Members Equity Bank Pty Ltd (ABN 56 070 887 679);

“**Member State**” means any of the member states of the European Union;

“**New Facilities Agreement**” means the facilities agreement for a £125 million secured revolving facility between, *inter alia*, the Issuer, Guarantor and the Additional Lenders dated 27 March 2015;

“**New Global Note**” or “**NGN**” means new global note;

“**New Safekeeping Structure**” or “**NSS**” means the new safekeeping structure which applies to Registered Notes held in global form by a Common Safekeeper for Euroclear and Clearstream, Luxembourg and which is required for such Registered Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations;

“**Non-Regulated Entity**” means any member of the Group from time to time which does not carry out Regulated Business;

“**Non-Regulated Group**” means the Guarantor and each of its Non-Regulated Subsidiaries;

“**Non-Regulated Subsidiary**” means any Subsidiary of the Guarantor which is a Non-Regulated Entity;

“**Note Documents**” means the Notes, the Trust Deed, the Issuer/Guarantor Loan Agreements, the Dealership Agreement and the Agency Agreement and any Note Hedging Agreement;

“**Note Hedging Agreement**” means any master agreement, confirmation, schedule or other agreement entered into or to be entered into by the Issuer and a Note Hedge Counterparty for the purpose of hedging interest rate liabilities in relation to Notes;

“**Note Hedge Counterparty**” means a person which has become a party to the Intercreditor Agreement as a Note Hedge Counterparty in accordance with the provisions of the Intercreditor Agreement;

“**Note Trustee**” means Deutsche Trustee Company Limited at the date of this Prospectus and, where the context so admits, includes any other note trustee for the time being appointed pursuant to the Trust Deed;

“**Noteholder**” has the meaning given to it in the Conditions;

“**Notes**” means the medium term notes to be issued by the Issuer pursuant to the Dealership Agreement, guaranteed by the Guarantor, constituted by the Trust Deed and for the time being outstanding or, as the context may require, a specific number of them;

“**Obligor**” means the Issuer or the Guarantor;

“**Official List**” means the official list of the UK Listing Authority;

“**Ofwat**” means the Water Services Regulation Authority for England and Wales, including any successor body or office;

“**Ofwat Determination**” means the final price determination made by Ofwat on a five-yearly basis;

“**Ordinary Decision**” means any decision of the Majority Secured Creditors which is not a Special Decision;

“**Original Facilities Agent**” means The Royal Bank of Scotland plc;

“**Original Facilities Agreement**” means the facilities agreement made between the Guarantor, the Original Lenders, the Original Facilities Agent and others dated 10 October 2007 (as amended and restated on the 2011 Effective Date);

“**Original Finance Documents**” means “Finance Documents” as such term is defined and used in the Original Facilities Agreement

“**Original Finance Party**” means a “Finance Party” as such term is defined and used in the Original Finance Documents as at the date of the Trust Deed;

“**Original Hedge Counterparties**” means those parties identified as Original Hedge Counterparties in the Intercreditor Agreement;

**“Original Hedging Agreements”** means the following hedging agreements made between the Guarantor and the Original Hedge Counterparties:

- (a) the 1992 ISDA Master Agreement and Schedule attached thereto dated 1 May 2007 as amended and supplemented from time to time, between the Guarantor and Bayerische Hypo-und Vereinsbank, AG, London Branch as supplemented by the confirmation dated 15 March 2007 and any other confirmations entered into between the parties thereto prior to the date of the Trust Deed;
- (b) the 1992 ISDA Master Agreement and Schedule attached thereto dated 11 April 2007 as amended and supplemented from time to time, between the Guarantor and Barclays Bank PLC as supplemented by the confirmation dated 19 April 2007 and any other confirmations entered into between the parties thereto prior to the date of the Trust Deed;
- (c) the 1992 ISDA Master Agreement and Schedule attached thereto dated 5 March 2007 as amended and supplemented from time to time, between the Guarantor and BNP Paribas as supplemented by the confirmation dated 8 March 2007 and any other confirmations entered into between the parties thereto prior to the date of the Trust Deed;
- (d) the 1992 ISDA Master Agreement and Schedule attached thereto dated 28 February 2007 as amended and supplemented from time to time, between the Guarantor and The Royal Bank of Scotland plc as supplemented by the confirmations each dated 5 March 2007, 6 March 2007, 12 March 2007 and any other confirmations entered into between the parties thereto prior to the date of the Trust Deed;
- (e) the 1992 ISDA Master Agreement and Schedule attached thereto dated 26 February 2007 as amended and supplemented from time to time, between the Guarantor and HSBC Bank plc as supplemented by the confirmations each dated 5 March 2007 and 2 May 2007 and any other confirmations entered into between the parties thereto prior to the date of the Trust Deed;
- (f) the 1992 ISDA Master Agreement and Schedule attached thereto dated 19 February 2007 as amended and supplemented from time to time, between the Guarantor and Lloyds Bank plc as supplemented by the confirmations each dated 28 February 2007 and any other confirmations entered into between the parties thereto prior to the date of the Trust Deed; and
- (g) the long form confirmation evidencing a complete and binding agreement dated 14 May 2007 as amended and supplemented from time to time, between the Guarantor and ING Bank N.V. as subsequently amended by an Amendment Deed dated 29 November 2007 and any other confirmations entered into between the parties thereto prior to the date of the Trust Deed;

**“Original Lenders”** means those parties identified as “Lenders” in the Original Facilities Agreement;

**“Original Secured Creditors”** means the “Secured Parties” as defined in the Guarantor Debenture;

**“Original Security Trustee”** means The Royal Bank of Scotland plc;

**“Participating Member State”** means any member state of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union;

**“Paying Agents”** means the persons (including the Issuing and Paying Agent) referred to as such in the Conditions or any Successor Paying Agents, in each case, at their respective specified offices;

**“Pension Schemes”** means the Anglian Water Group Pension Scheme, the Morrison Pension and Life Assurance Plan, the Hartlepool Section of the Water Companies' Pension Scheme and any Local Government Pension Scheme insofar as it relates to the Group;

“**Periodic Review**” means the periodic review of K (as that term is defined in the Instrument of Appointment) as provided for in Part III of Condition B of the Instrument of Appointment;

“**Permanent Dealers**” means all Dealers in respect of the Programme and excludes those appointed as such solely in respect of one or more specified Tranches;

“**permanent Global Note**” means a Global Note representing Bearer Notes of one or more Tranches of the same Series, either on issue or upon exchange of a temporary Global Note, or part of it;

“**Permitted Distribution**” means the payment of a dividend, any other distribution or payment of any amount under any loan from Holdco to the Guarantor, in each case where such payment is made by the Guarantor to Holdco to enable Holdco or Jerseyco to make payments in respect of any tax liabilities, employment costs, insurance premia or professional advisers' fees incurred by it, provided that, in the case of employment costs, insurance premia or professional advisers' fees, such costs, premia and fees in aggregate shall not exceed £500,000 (or its equivalent) in any Financial Year;

“**Permitted Enforcement Action**” means the steps that a Secured Creditor is entitled to take to enforce its rights against an Obligor provided by the terms of the Intercreditor Agreement and summarised in the section entitled “*Intercreditor, Enforcement and the Credit Agreements*” of this Prospectus;

“**Permitted Guarantee**” means:

- (a) any guarantee arising under any Finance Document, the Notes, the Note Documents or any Note Hedging Agreement;
- (b) any guarantee which is permitted under the Original Facilities Agreement, excluding any guarantee in respect of any obligation of any Non-Group Person (as defined in Clause 7.5 of the Trust Deed);
- (c) the endorsement of negotiable instruments in the ordinary course of trade;
- (d) any guarantee given in respect of any deficit in any Pension Scheme to the extent that such Pension Scheme is for the benefit of any directors, officers or employees of any member of the Group;
- (e) any guarantee or counter-indemnity given in respect of the Secondary Tax Liability, the outstanding principal amount of which does not exceed £60,000,000 (or its equivalent) in aggregate for the Controlled Group at any time;
- (f) any guarantee given in respect of any cash management, netting or set-off arrangement entered into by any member of the Controlled Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of members of the Controlled Group;
- (g) any customary indemnity given under the terms of any sale and purchase agreement to any purchaser of an asset, provided that such indemnity is capped at an amount not exceeding the consideration received in respect of such asset (such capped amount being the “**Capped Amount**”), provided that for so long as such indemnity is outstanding (i) an amount (the “**Ring-fenced Deposit Amount**”) equal to the Capped Amount shall be deposited in a new bank account of any member of the Controlled Group and such Ring-fenced Deposit Amount shall not be debited from such account (including for the purpose of paying any dividends) and (ii) item (d) of the definition of the "Consolidated Total Net Debt" shall exclude such Ring-fenced Deposit Amount; and
- (h) any guarantee or indemnity (each an “**Existing Guarantee**”) entered into by a Non-Regulated Subsidiary before the date hereof (or any guarantee or indemnity replacing all or part of any Existing Guarantee (which term shall include any such replacement guarantee or indemnity), provided that the

amount guaranteed or indemnified under such replacement guarantee or indemnity does not exceed the amount guaranteed or indemnified under the Existing Guarantee);

**“Permitted Loan”** means:

- (a) any trade credit extended by an Obligor to its customers on normal commercial terms and in the ordinary course of its trading activities;
- (b) a loan made by an Obligor to a Joint Venture to the extent permitted under Clause 26.9 (*Joint ventures*) of the Original Facilities Agreement or an equivalent provision in any Finance Document;
- (c) a loan made by an Obligor to a member of the Group;
- (d) a loan made by an Obligor to an employee or director of an Obligor if the amount of that loan when aggregated with the amount of all loans to employees and directors of either Obligor does not exceed £2,000,000 (or its equivalent) at any time;
- (e) any loan made pursuant to any Finance Document, the Notes, the Note Documents or any Note Hedging Agreement;
- (f) any loan made by the Issuer to the Guarantor pursuant to the Issuer/Guarantor Loan Agreements;
- (g) any loan made by the Guarantor or any of its Subsidiaries to Holdco in order for Holdco to meet its carbon incentive scheme payment obligations; and
- (h) any loan not otherwise permitted above (other than a loan made by an Obligor to another member of the Group) if the amount of that loan when aggregated with the amount of all other loans made under this paragraph (h) does not exceed £2,000,000 (or its equivalent) at any time;

**“Permitted Tax Loss Transactions”** means any surrender of tax losses or agreement relating to tax benefit or relief (including for the avoidance of doubt an election under section 171A of the Taxation of Chargeable Gains Act 1992) or other agreement relating to tax between:

- (a) any member of the Anglian Water Services Financing Group (other than AWS or Anglian Water Services Financing Plc if, in either case, it is the company making the surrender or providing the benefit or relief) and any member of the Anglian Water Services Financing Group; or
- (b) AWS or Anglian Water Services Financing Plc and any other member of the Anglian Water Services Financing Group or any member of the Anglian Water Services Financing Group and any other member of the Anglian Water Group (not being a member of the Anglian Water Services Financing Group) provided that:
  - (i) a payment is made by the company receiving the benefit, tax loss or relief made available under a transaction pursuant to paragraph (b) above (the **“Recipient Company”**) which is equal to the tax saved by the Recipient Company; and
  - (ii) the payment for any such benefit, tax loss or relief is made within 30 days of the claim being made by the Recipient Company to include the benefit, tax loss or relief in the tax return (whether the tax return originally filed or an amendment to that tax return) it files with the HM Revenue & Customs;

**“Permitted Transaction”** means:

- (a) any disposal required, Financial Indebtedness incurred, guarantee, indemnity or Security or Quasi-Security given, or other transaction arising, under the Notes, the Note Documents or any Finance Document;

- (b) the solvent liquidation or reorganisation of any member of the Group which is not an Obligor so long as any payments or assets distributed as a result of such liquidation or reorganisation are distributed to other members of the Group;
- (c) transactions conducted in the ordinary course of trading on arm's length terms;
- (d) any transaction in connection with any Finance Document, the Notes, the Note Documents or any Note Hedging Agreement;
- (e) any transaction in relation to the acquisition of part of the business of AWS by any member of the Non-Regulated Group, or in relation to the separation (by contract or otherwise) of part of such business, in each case where such transaction is in preparation for or otherwise in connection with the introduction of retail competition in the water markets in England;
- (f) any corporate reconstruction of the Group (including, but not limited to, any capital reduction of a member of the Group, the insertion of any new holding companies or any tax restructurings), provided that the Obligors continue to comply with the financial covenants set out in the Trust Deed and more particularly described in "*Overview of the Key Documents - Trust Deed – Financial Covenants*"; and
- (g) any other transaction agreed to by the Note Trustee (if directed to do so by an Extraordinary Resolution of the Noteholders);

**"Positive Value"** means in respect each Hedge Counterparty, the positive amount (if any) due to that Hedge Counterparty from the Issuer or the Guarantor (as applicable) following termination of the relevant Hedging Agreements due to Enforcement Action;

**"Potential Event of Default"** means an event or circumstance that would, with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10 (*Events of Default*), become an Event of Default;

**"Programme"** means the £1,000,000,000 guaranteed secured medium term note programme established by the Issuer and listed on the Market;

**"Programme Limit"** means the maximum aggregate nominal amount of Notes that may be issued and outstanding at any time under the Programme, as such limit may be increased pursuant to the Dealership Agreement;

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

**"Quasi-Security"** means that neither the Issuer nor the Guarantor shall (and no other Non-Regulated Subsidiary will):

- (a) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by the Issuer or the Guarantor or any other member of the Group;
- (b) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
- (c) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
- (d) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset;

“**Rating Agencies**” means Fitch and Moody’s;

“**RCV** ” means, in relation to the last day of each Relevant Period, the regulated asset value for such date as last determined and notified to the Licence Holder by the Board of Ofwat at the most recent Periodic Review or IDOK or other procedure through which the Board of Ofwat may in future make such determination on an equally definitive basis to that of a Periodic Review or IDOK (interpolated as necessary and adjusted as appropriate for out-turn inflation) **provided that**, for the purpose of Clauses 7.1 (*Acquisitions*) and 7.26 (*Dividends*) only of the Trust Deed. RCV shall be increased for any ‘log-ups’ in respect of expenditure on major AWS capital projects not assumed in the most recent Ofwat Determination or IDOK as certified by two directors (one of whom shall be the Finance Director of the Guarantor and one of whom shall be a director of AWS) in a certificate setting out (a) the amount of the increase; (b) the basis of the increase; and (c) where relevant, the basis of the reasonable expectation of recovery;

“**Receiptholder**” means the holders of Receipts;

“**Receipts**” means the receipts for the payment of instalments of principal in respect of Bearer Notes of which the principal is repayable in instalments or, as the context may require, a specific number of them and includes any replacement Receipts issued pursuant to the Conditions;

“**Redemption Amount**” means the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, all as defined in the Conditions;

“**Register**” means the register maintained by the Registrar;

“**Registered Holder**” means the person in whose name a Registered Note is registered;

“**Registered Note**” means a Note in registered form;

“**Registrar**” means the person named as such in the Conditions or any Successor Registrar, in each case at its specified office;

“**Regulated Business**” means the business of a “relevant undertaker” (as that term is defined in the WIA) in the United Kingdom carried out by the AWG Group;

“**Regulated Entity**” means each of Anglian Water Services Holdings Limited, Anglian Water Services Overseas Holdings Limited, AWS and Anglian Water Services Financing Plc and any other member of the AWG Group from time to time which carries out Regulated Business;

“**Regulation S**” means the Regulation S adopted under the Securities Act;

“**Relevant Factor**” means an index or formula, the prices of securities or commodities, the movements in currency exchange rates or other factors, used to determine the principal or interest under the Notes;

“**Relevant Implementation Date**” means the date on which the Prospectus Directive is implemented in that Relevant Member State;

“**Relevant Member State**” means each Member State of the European Economic Area which has implemented the Prospectus Directive;

“**Relevant Period**” means the period of 12 months ending on 31 March 2016 and each period of 12 months ending on 31 March thereafter;

“**Responsible Person(s)**” means the Issuer and the Guarantor, as applicable;



“**RPI**” means the all items retail prices index (RPI) for the United Kingdom published by the Office for National Statistics or at any future date such other index of retail prices as may have then replaced it for the purposes of Ofwat’s determination of price limits for water and sewerage services;

“**Secondary Tax Liability**” means any liability to United Kingdom Tax of a Regulated Entity for which an Initial Investor or current or former Initial Investor Affiliate is primarily liable;

“**Secured Creditor Accession Deed**” means a deed of accession, substantially in the form set out in Schedule 2 (*Form of Secured Creditor Accession Deed*) to the Intercreditor Agreement;

“**Secured Creditor Representative**” means:

- (a) in respect of the Initial Notes and any Additional Notes, the Note Trustee;
- (b) in respect of the Original Finance Documents, the Original Facility Agent;
- (c) in respect of a Loan Facility, the agent in respect of that Loan Facility; and
- (d) in respect of a Hedging Agreement, the relevant Hedge Counterparty (representing itself);

“**Secured Creditors**” means:

- (a) the Note Trustee (on its own behalf and on behalf of the Noteholders) and the Initial Noteholders;
- (b) the Issuing and Paying Agent, the Transfer Agent, the Paying Agent, the Calculation Agent and the Registrar;
- (c) any Additional Note Parties;
- (d) the Original Finance Parties;
- (e) any Additional Finance Parties;
- (f) the Original Hedge Counterparties;
- (g) any Additional Hedge Counterparties; and
- (h) the Security Trustee,

provided that, for the avoidance of doubt, Noteholders and holders of coupons in respect of Notes may only act through the applicable Note Trustee;

“**Securities Act**” means the United States Securities Act of 1933 and any subsequent amendments thereto;

“**Security**” means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect;

“**Security Agreement**” means the security agreement between, among others, the Security Trustee, the Issuer and the Guarantor dated 21 January 2011;

“**Security Trustee**” means Deutsche Trustee Company Limited or any other security trustee appointed pursuant to the Intercreditor Agreement;

“**Series**” means a series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number;

“**Special Decision**” means any decision of the Majority Secured Creditors relating to any matters which:

- (a) would release any of the Transaction Security (unless equivalent replacement security is taken at the same time) unless such release is permitted in accordance with the terms of the Intercreditor Agreement;
- (b) would change:
  - (i) any material definitions which relate to the key structural principles on which the voting mechanics of the Special Decisions have been founded; or
  - (ii) any of the matters requiring Special Decisions;
- (c) would relate to the removal of the Security Trustee in accordance with clause 14.1.7 of the Intercreditor Agreement; or
- (d) relate to any Enforcement Action,

provided that, for the avoidance of doubt, the Majority Secured Creditors may not take any decisions relating to Entrenched Rights without the relevant Secured Creditor's consent;

“**Specified Currency**” has the meaning given to it in the relevant Final Terms;

“**Specified Denomination**” has the meaning given to it in the relevant Final Terms;

“**Stabilising Manager(s)**” means Morgan Stanley & Co. International plc or any other Dealer designated as a Stabilising Manager;

“**Sterling**”, “**Pounds**” or “**£**” means the lawful currency of the United Kingdom;

“**Subordinated Debt**” means Financial Indebtedness (ignoring for this purpose the words “(other than indebtedness owed by one member of the Group to another member of the Group)”) which is non-cash pay or, if owed by the Guarantor to any direct or indirect shareholder in the Guarantor, which has no mandatory cash pay, which matures after the latest Maturity Date of any Notes and which is otherwise subordinated to the Notes or, if owed by the Guarantor to any direct or indirect shareholder in the Guarantor, on the same basis as the subordination of that shareholder's initial investment into the Guarantor;

“**Subordinated Lenders**” means AWG Parent Co Limited, and any person who becomes a Subordinated Lender by executing a Subordinated Lender Accession Deed;

“**Subordinated Liabilities**” means the Liabilities owed by the Obligors to the Subordinated Lenders;

“**Subsidiary**” means a “subsidiary undertaking” as defined in section 1162 of the Companies Act 2006;

“**Successor**” means, in relation to an Agent, such other or further person as may from time to time be appointed by the Issuer and the Guarantor as such Agent with the written approval of, and on terms approved in writing by, the Note Trustee and notice of whose appointment is given to Noteholders; “**Talons**” means talons for further Coupons or, as the context may require, a specific number of them and includes any replacement Talons issued pursuant to the Conditions;

“**TARGET2**” means the Trans-European Automated Real-time Gross settlement UK Express Transfer System which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereto;

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);

“**TEFRA**” means the United States Tax Equity and Fiscal Responsibility Act of 1982;

**“temporary Global Note”** means a Global Note representing Bearer Notes of one or more Tranches of the same Series on issue;

**“Total Commitments”** means:

- (a) prior to the taking of Enforcement Action, (i) the total commitments under the Finance Documents, plus (ii) the aggregate principal amount outstanding (including, if applicable, any accretion due to indexation) under the Notes issued under the Note Documents; and
- (b) following the taking of Enforcement Action, (i) the aggregate principal amount outstanding under the Finance Documents and the Note Documents (including, if applicable, any accretion due to indexation), plus (ii) the aggregate Positive Value of the Hedging Liabilities,

**“Tranche”** means, in relation to a Series, those Notes of that Series that are issued on the same date at the same issue price and in respect of which the first payment of interest is identical;

**“Transaction Costs”** means all non-periodic fees, costs and expenses, stamp, registration and other Taxes incurred by the Guarantor or any other member of the Group in connection with the Note Documents and the Finance Documents;

**“Transaction Documents”** means:

- (a) the Trust Deed, the Issuer/Guarantor Loan Agreements and the Agency Agreement;
- (b) the Original Finance Documents (other than the Intercreditor Agreement and the Transaction Security Documents);
- (c) the Intercreditor Agreement;
- (d) the Transaction Security Documents;
- (e) any Additional Note Documents;
- (f) any Additional Finance Documents;
- (g) any Hedging Agreements; and
- (h) any other Underlying Credit Documents,

and, in each case, any agreement specified to be a Transaction Document by the Security Trustee;

**“Transaction Security”** means the Security created, evidenced or expressed to be created or evidenced pursuant to the Transaction Security Documents;

**“Transaction Security Documents”** means each of the documents listed as being a Transaction Security Document in the Finance Documents and the Note Documents, specifically:

- (a) the Security Agreement; and
- (b) confirmation from the security trustee for the holders of the Loan Notes that a security over cash agreement in its favour in respect of the Guarantor's obligations under the Loan Notes has been duly executed and delivered and that any other conditions to the effectiveness of such arrangement have been satisfied,

together with any other document entered into by any member of the Group creating, evidencing or expressed to create or evidence any Security over all or any part of its assets in respect of the obligations of members of the Group under any of the Finance Documents, the Note Documents or as contemplated by the Intercreditor Agreement;

“**Transfer Agents**” means the persons (including the Registrar) referred to as such in the Conditions or any Successor Transfer Agents, in each case at their specified offices;

“**Treasury Transaction**” means any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price;

“**Trust**” includes a superannuation fund, managed investment scheme or custodial responsibility;

“**Trust Deed**” means the trust deed dated 21 January 2011 as amended and restated by a supplemental trust deed dated 7 October 2013 and as further amended by a deed of amendment dated 9 October 2014 between the Issuer, the Guarantor and the Note Trustee;

“**UK Listing Authority**” means the Financial Conduct Authority in its capacity as competent authority under the FSMA;

“**U.S. Dollars**” or “**\$**” means the lawful currency of the United States of America;

“**Variable Rate Notes**” means notes with variable interest rates; and

“**WIA**” means the Water Industry Act 1991.

**Registered Office of the Issuer**

Lancaster House, Lancaster Way, Ermine  
Business Park, Huntingdon, Cambridgeshire,  
PE29 6XU

**Registered Office of the Guarantor**

Lancaster House, Lancaster Way, Ermine  
Business Park, Huntingdon, Cambridgeshire,  
PE29 6XU

**Arrangers**

**BNP Paribas**

10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

**Dealers**

**Barclays Bank PLC**

5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**Lloyds Bank plc**

10 Gresham Street  
London EC2V 7AE  
United Kingdom

**BNP Paribas**

10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

**HSBC Bank plc**

8 Canada Square  
London E14 5HQ  
United Kingdom

**The Royal Bank of Scotland plc**

135 Bishopsgate  
London EC2M 3UR  
United Kingdom

**Security Trustee**

**Deutsche Trustee Company Limited**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB

**Note Trustee**

**Deutsche Trustee Company Limited**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB

**Paying Agent, Transfer Agent and Registrar**

**Deutsche Bank Luxembourg S.A.**

2 Boulevard Konrad Adenauer  
L-1115 Luxembourg

**Issuing and Paying Agent and Calculation Agent**

**Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB

**Auditors**

**To the Issuer and the Guarantor**

**Until 29 July 2016**

**PricewaterhouseCoopers LLP**

Cornwall Court  
19 Cornwall Street  
Birmingham B3 2DT

**From 1 September 2016**

**Deloitte LLP**

2 New Street Square  
London EC4A 3BZ

**Legal Advisers**

**To the Issuer and the Guarantor**

*in respect of English law*

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**To the Dealers**

*in respect of English law*

**Allen & Overy LLP**

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London E1 6AD