



**Northern
Endurance
Partnership**



NEP RFPR Commentary

Financial Year 2025/2026

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Abbreviations

CM	Corrective Measures
COD	Commercial Operations Date
CoD	Cost of Debt
CCS	Carbon Capture Storage
DESNZ	Department for Energy Security and Net Zero
FY	Financial Year
Mtpa	Million Tonnes per Annum
NEP	Northern Endurance Partnership
PCFM	Price Control Financial Model
RAV	Regulatory Asset Value
RFPR	Regulatory Financial Performance Report
RIG	Regulatory Instruction and Guidance
RoRE	Return on Regulatory Equity
RP	Remediation Plan
SRAV	Shadow Regulatory Asset Value



1. Purpose and Background

The Carbon Dioxide Transport and Storage Licence sets out reporting obligations requiring the Licensee to provide information that Ofgem needs to carry out its functions, including administering the standard and special conditions, as relevant, of the Licence.

The Licensee's reporting obligations include Regulatory Financial Performance Reporting (RFPR), which aims to provide a comprehensive, transparent, accessible and accurate measure of the Licensee's financial performance under the regulatory framework.

The RFPR consists of two elements:

1. Ofgem's RFPR template for reporting data
2. The RFPR commentary

This document provides commentary to support the RFPR template and is intended to provide insight into the Licensee's financial and operational performance under the regulatory framework up to 31 March 2026.

2. Executive Summary

Net Zero North Sea Storage Limited ("Licensee") is the legal entity of the Northern Endurance Partnership ("NEP"), which is developing the onshore and offshore infrastructure needed to transport CO₂ from carbon capture projects across Teesside and the Humber — collectively known as the East Coast Cluster — to secure storage under the North Sea. NEP's Teesside network will be able to store up to 4 mtpa of CO₂ per year.

During the financial year ending 31 March 2026, the Company made material progress on the engineering, procurement, and construction of the first phase of the UK's initial CO₂ transportation and storage infrastructure network, which will serve carbon capture projects across Teesside, helping to drive the journey to net zero and boost economic growth in the region.

Key onshore operational milestones included the completion of site remediation and preparation, the commencement of landfall piling, civil works, landfall tunnelling, alongside steady progress on site offices, warehousing, and enabling works to support the upcoming construction ramp-up. Offshore, the Company successfully completed pipeline survey work and mobilised the Noble Intrepid jack-up rig in preparation for the upcoming drilling campaign. At the close of the financial year, the project was over 30% complete. The project remains on track to deliver within budget with start-up expected reported as February 2029.



Significant regulatory and strategic milestones were also achieved during the financial year, with the Company securing regulatory approval for a further £210 million of investment, which will de-risk additional CO2 storage capacity in licence blocks CS006 and CS007 and advance the next stage of the Humber Carbon Capture Pipeline.

All investment was fully funded utilising the Company's existing debt and equity facilities. With the exception of minor Excluded Project Spend, all this investment is expected to be added to the Regulated Asset Value (RAV), thereby underpinning future allowed revenue and returns on investment under the Regulated Asset Base (RAB) model.

To support delivery, the Company significantly scaled its organisational capacity. Rich Denny was appointed as Managing Director, bringing decades of sector expertise to the business. Under his leadership, the internal executive team was fully resourced, and a new corporate office was established in Darlington. By the end of the reporting period, the Company had built a core team of over 30 personnel, made up of both direct staff and secondees, and continues to actively recruit for further roles across the organisation to support its ongoing growth.

3. Key Financial Performance Measures

The key financial performance measure within the RFPR submission is Return on Regulatory Equity ("RoRE") financial performance. The Licensee's financial performance up to the 31st March 2026 relates to the optimisation of debt utilisation; further details can be found in Sections 5.1, 5.6 and 5.8.

4. Key Operational Performance Measures

The key operational performance measure within the RFPR 2025/26 submission is RoRE operational performance. Most operational performance measures are assessed during the operational period.

During the construction and commissioning phase, the primary measure of operational performance in relation to RoRE is the SRAV Capex and Opex Incentive. This incentive is calculated by comparing cumulative actual spend against the cumulative allowance and is therefore likely to be determined towards the end of the construction and commissioning period. At the end of the Reporting Period, the Licensee remained on track to deliver the approved activity by the key milestone dates and within the licence Capex and Devex allowances.



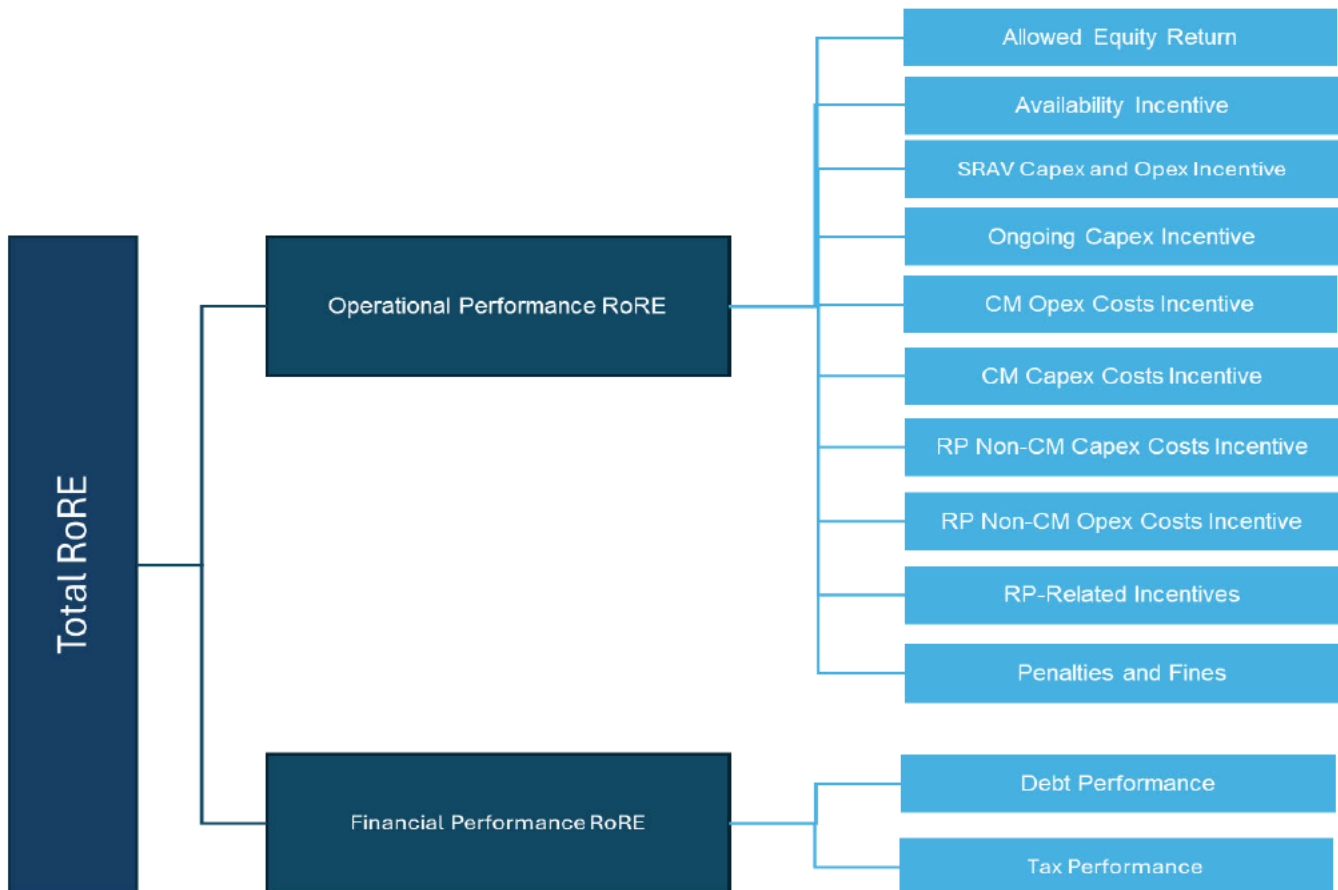
5. Overview of Regulatory Performance

5.1 Return on Regulatory Equity (“RoRE”)

This section outlines the Licensee’s RoRE. Ofgem uses RoRE to measure the financial return achieved by shareholders during the price control period. It calculates the returns earned by equity investors, inclusive of both baseline equity returns and the impact of incentives.

RoRE is presented in terms of both notional gearing and actual gearing. Notional gearing is set by Ofgem at 60% to allow for comparison of financial performance between Licensees.

RoRE is divided into both operational and financial components. The operational RoRE includes cost and allowances related to the regulated business, while the financial component includes both financing and tax performance.



The Licensee's RoRE to March 2026 is shown in the tables below on both a notional and actual gearing basis.

RoRE based on notional gearing to the 31 March 2026 was [REDACTED]

Notional Gearing	FY 2025	FY 2026	Cumulative to 2026
Allowed Equity Return	[REDACTED]	[REDACTED]	[REDACTED]
Availability Incentives	-	-	-
SRAV Capex and Opex Incentive	-	-	-
Ongoing Capex Incentive	-	-	-
CM Opex Costs Incentive	-	-	-
CM Capex Costs Incentive	-	-	-
RP Non-CM Capex Costs Incentive	-	-	-
RP Non-CM Opex Costs Incentive	-	-	-
RP-Related Incentives	-	-	-
Penalties and fines (Other Activities)	-	-	-
RoRE - Operational performance	[REDACTED]	[REDACTED]	[REDACTED]
Debt performance	[REDACTED]	[REDACTED]	[REDACTED]
Tax performance	[REDACTED]	[REDACTED]	[REDACTED]
RoRE - including financing and tax	[REDACTED]	[REDACTED]	[REDACTED]

The Allowed Equity Return percentage was set before the beginning of the first price control period. The level of return was set at [REDACTED] per year on a notional gearing basis, based on prevailing market rates at the time. The [REDACTED] for 2024/25 reflects that the licence was awarded part way through a financial year.

No incentives were earned during this reporting period, as these typically accrue during operations or at the end of construction and commissioning. The SRAV Opex and Capex Incentive forecast for 2028/29 currently increases RoRE due to Phase 1 Capex underspend.

Financing and tax performance increased RoRE by [REDACTED] on a cumulative basis to the 31st of March 2026. This is an artefact of the calculations within the RFPR workbook, driven by Ofgem's requirement to maintain a standardised methodology across all networks to enable fair comparison. The workbook uses different gearing measures to calculate the financing performance at notional gearing. If NEP's actual gearing were applied consistently throughout the calculation, the resulting financing outperformance would be approximately [REDACTED]. This outperformance reflects the fact that a significant proportion of the Licensee's interest costs are hedged. As a result, if actual inflation exceeds the inflation assumption embedded in the nominal hedged interest rate, the Licensee's actual real cost of debt will be lower than the allowed cost of debt, resulting in outperformance. More details on debt and tax performance can be found in Sections 5.6 and 5.8.

The Licensee's RoRE based on actual gearing to the 31st of March 2026 is [REDACTED].



Actual Gearing	FY 2025	FY 2026	Cumulative to 2026
Allowed Equity Return	■	■	■
Availability Incentives	-	-	-
SRV Capex and Opex Incentive	-	-	-
Ongoing Capex Incentive	-	-	-
CM Opex Costs Incentive	-	-	-
CM Capex Costs Incentive	-	-	-
RP Non-CM Capex Costs Incentive	-	-	-
RP Non-CM Opex Costs Incentive	-	-	-
RP-Related Incentives	-	-	-
Penalties and fines (Other Activities)	-	-	-
RoRE - Operational performance	■	■	■
Debt performance	■	■	■
Tax performance	-	-	-
RoRE - including financing and tax	■	■	■

Due to NEP's financing structure, whereby debt is drawn down ahead of equity, NEP's allowed equity return in FY2026 is ■. However, this is a temporary effect unwinds on a cumulative basis by 2029 as the project's actual gearing profile materialises.

The Allowed Equity Return of ■ is driven by the methodology used to calculate the return on equity within the RAV model. The level of equity investment reflected in the RAV is lower than that assumed in the WACC calculation. As a result, the same return is allocated across a smaller equity base, leading to an equity return that is higher than the notional gearing assumption. More details can be found in section 5.6.

Debt performance of ■ reflects the fact that NEP gearing is greater than the notional gearing of 60% as set at financial close and therefore debt costs are higher.



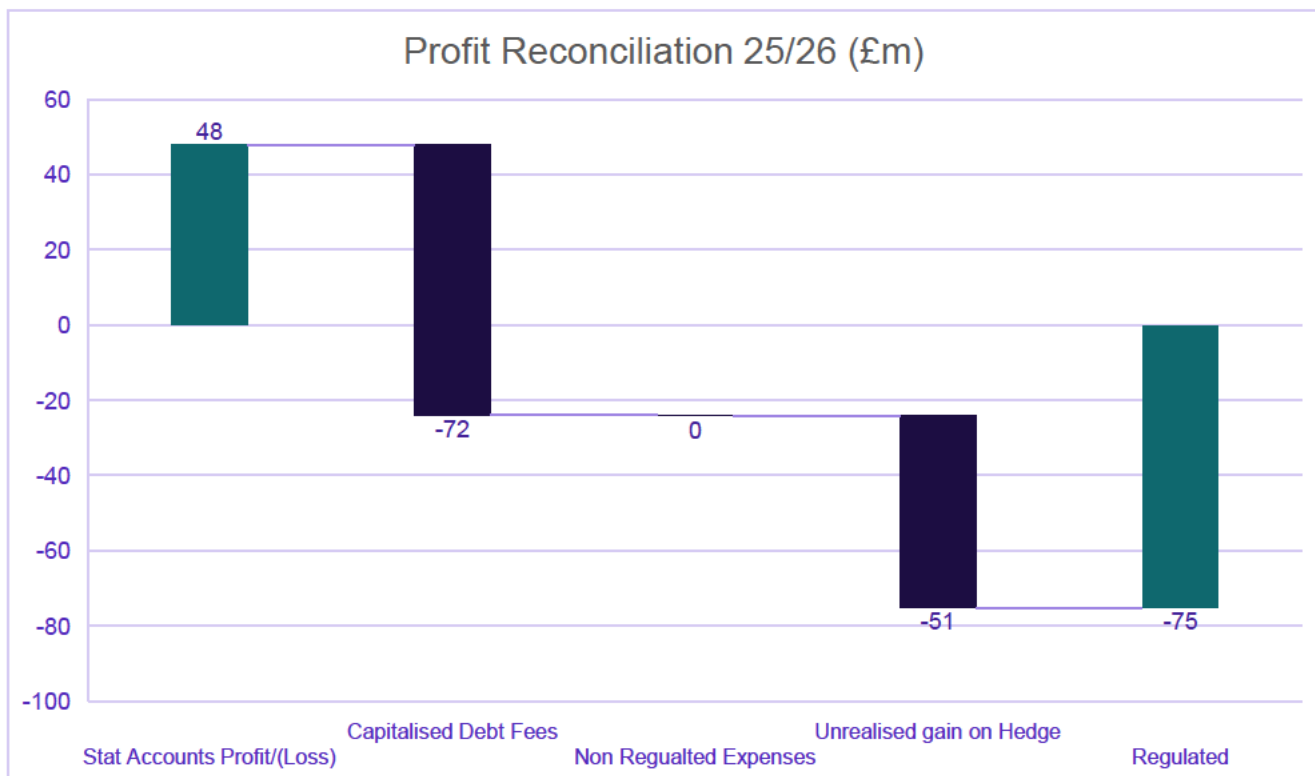
5.2 Reconciliation to Revenue and Profit

This section outlines the reconciliation of regulated revenue and profit against the revenue and profit stated in the statutory accounts. The reconciliation to revenue and profit stated in the statutory accounts is based on the company's underlying accounting records.

Regulated allowed revenues have been calculated in the PCFM in accordance with the relevant licence conditions. As the Licensee is in the construction phase of the project, there is no regulated revenue for the Reporting Period. The Licensee will begin receiving regulated revenue when the project reaches COD, which is expected in February 2029. The Licensee reported no revenue in the company's statutory accounts.

Differences between regulatory and statutory profit are expected and arise from the differing treatment of items under regulatory and statutory frameworks. For 2025/26, net profit reported in the statutory accounts was £48.0m, or -£24.0m after deducting capitalised interest and expenses, as required by the RFPR template.

The main component of the Licensee's statutory net profit was the unrealised gain on its interest rate swap. The regulated net profit is reported as -£74.9m, which is £50.9m lower than the statutory figure. This difference is driven by unrealised gains, which are excluded from regulatory net profit (-£51m).

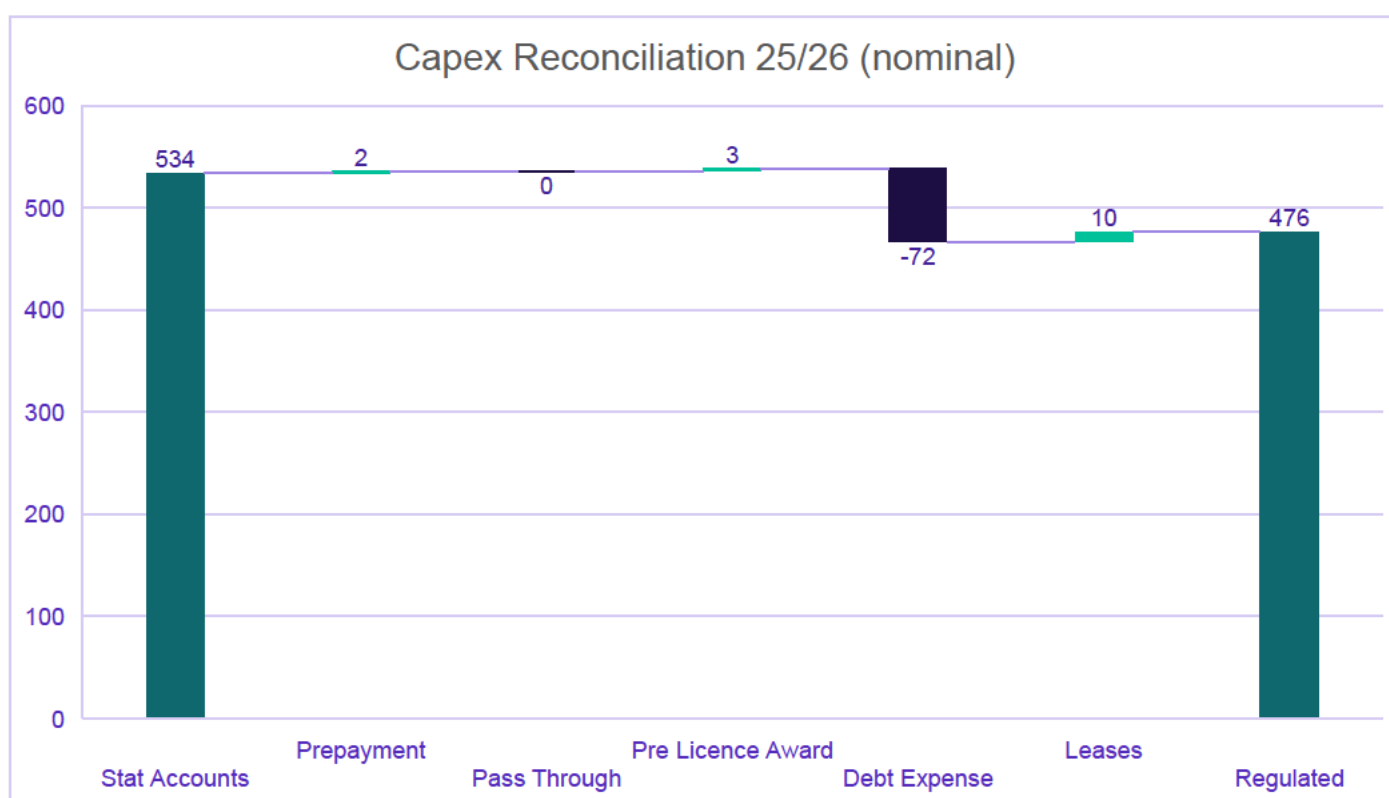


5.3 Capex Reconciliation

This section outlines the reconciliation of the Licensee's Capex reported in the PCFM against the Capex reported in the Licensee's statutory accounts.

Regulated Capex for 2025/26 was £476m (nominal), compared with £534m (nominal) reported in the statutory accounts. Statutory Capex includes investment and capitalised debt fees/interest (£72m) while regulatory capex includes only investment (which flows to SRAV) and excludes the debt fees/interests because the latter are not recovered through the SRAV Capex and are recovered through the actual debt fees that accrued to the SRAV and WACC (kD component).

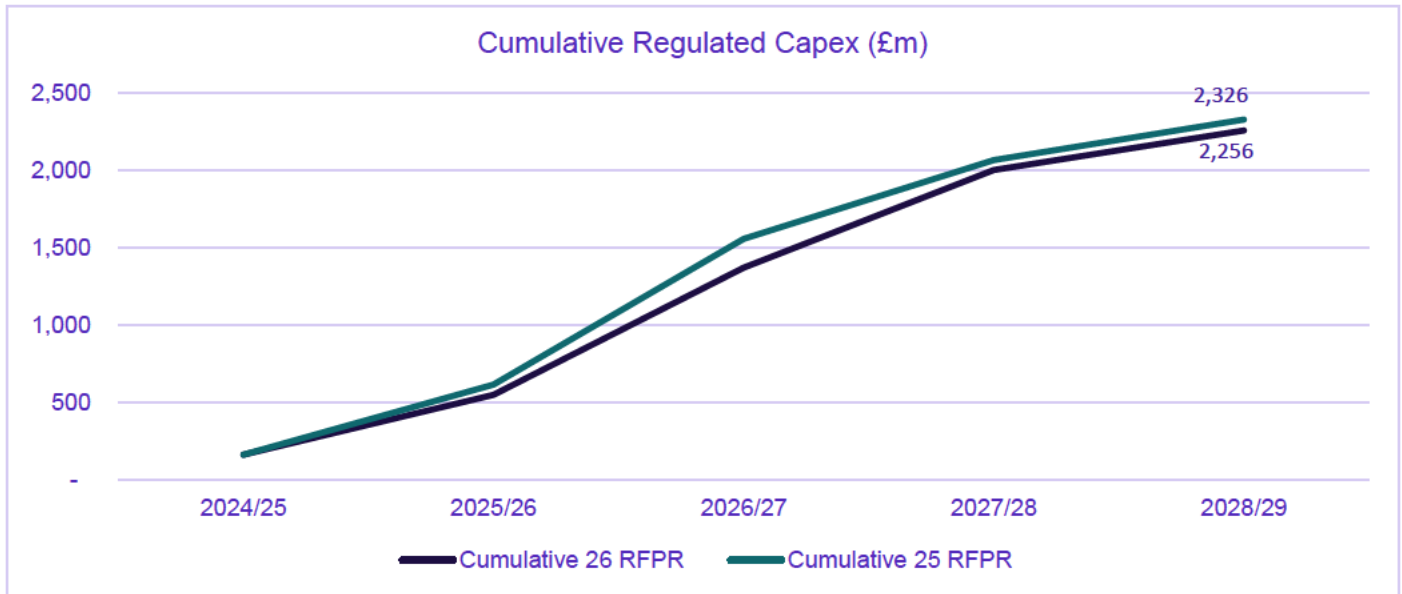
Capex reported in the Licensee's statutory accounts is prepared on an accruals basis. Under the CCS RIGs, however, certain items may be reported on a prepayment or cash basis. For 2025/26, this mainly relates to insurance prepayments and lease payments for the drilling rig and main site lease. As a result, £12m was added to regulated Capex above the amount reported in the statutory accounts.



The forecast future Capex during the construction and commissioning period is £2,256m (real 21/22). This remains broadly in line with last year's submission of £2,326m (real 21/22). The £70m (real 2021/22) reduction reflects cost savings that have been realised (~£52m), together with some costs being deferred to later periods (~£18m). Those deferred costs remain unchanged in nominal terms; however, as they have moved to later



periods, their value is lower on a real 21/22 basis. Commercial Operation Date (COD) remains unchanged.



5.4 Opex Reconciliation

This section outlines the reconciliation of the Licensee's Opex reported in the PCFM against the Opex reported in the Licensee's statutory accounts.

Regulated Opex costs for 25/26 were £0.8m (nominal), whereas Opex reported in the statutory accounts was £0.9m (nominal). There is multiple small reasons for this difference that can be found in the RFPR excel workbook.

Opex spend during the construction and commissioning period is minimal, as the majority of costs incurred are classified as Capex and recorded on the balance sheet under Asset Under Construction.

5.5 Incentives and Other Revenue

This section details the performance of the Licensee's output incentives and expenditure incentives. Incentive values are directly sourced from the RRP and PCFM submitted to Ofgem.

For 2025/26, the Licensee earned no incentive, with most incentives during the construction and commissioning phase being calculated against a total allowance at COD.

The Licensee is currently forecasting a positive SRAV Capex and Opex Incentive of £7.4m (real 21/22), reflecting an underspend against the SRAV Capex and Opex allowance. This reflects the project's delivery of capex savings and the associated 60% sharing of savings. This positive movement has been partially offset by a small reduction in the Phase 1 construction allowance following the reopener to reflect the updated rig rate secured. The Phase 1 construction allowance remains subject to relevant reopeners and may be refined as the project progresses.



5.6 Financing and Net Debt Position

This section explains the Licensee's financing position and Net Debt, as reported in the "R5 - Financing" and "R6 - Net Debt" tabs of the RFPR template.

The Licensee's financing structure reflects the capital structure agreed with its lenders and DESNZ. During the initial stages of construction, the project is financed entirely through debt. This will later be supplemented by committed equity finance, with the Licensee's actual gearing expected to crystallise at COD.

The Licensee has hedged the majority of its SONIA-linked debt at a fixed nominal rate, helping to provide protection against movements in interest rates.

The "R5 - Financing" tab reports annual actual and forecast Net Interest and reconciles Net Interest calculated under the statutory accounting methodology to Net Interest calculated under the regulatory definition. For the 2025/26 Reporting Period, the Licensee's statutory accounts reported Net Interest, comprising profit and loss expense plus capitalised interest, of £23.2m (loss). Regulated Net Interest was £74.1m (loss). The difference is primarily because the statutory accounts include an unrealised gain on interest rate swaps, which is excluded from the regulated value.

The tab also calculates debt underperformance or outperformance against the cost of debt allowance set out in the latest PCFM, on both a notional gearing and actual gearing basis. When analysing the allowed return on debt, it is important to note that the methodology does not reflect the cash cost of interest incurred by the business. Instead, it measures economic outperformance by removing the inflation component from effective interest rates to derive a real cost of debt.

The RFPR RoRE calculation uses a Regulatory Gearing Ratio to calculate the Licensee's financing and net debt position. This calculation differs from the Licensee's actual financing structure because it derives Equity RAV from the difference between average RAV and average Net Debt. Where average RAV exceeds average Net Debt, the difference is assumed to be Equity RAV. At the end of the Reporting Period, the RFPR calculated Actual Regulatory Gearing at 86%, compared with actual gearing of 100%.

This difference is driven by two factors. First, there is a timing difference between cash debt drawdown and costs accruing to the (S)RAV on an accruals basis. Secondly, the RFPR calculation is based on average balances. For 2024/25, 72% of NEP's debt was drawn down on 17 December and is therefore not fully reflected in the average-based calculation.

To assess debt performance, nominal finance costs are adjusted to real finance costs so that they can be compared with the Real Cost of Debt Allowance. The RFPR calculates the inflation component of nominal finance costs using a simplified midpoint debt drawdown profile. As noted above, this does not fully reflect the



Licensee's actual 2024/25 debt drawdown profile and therefore understates the inflation adjustment to be removed from nominal finance costs.

On a notional gearing basis, the RFPR model calculates debt underperformance of [REDACTED] for 2024/25 and debt outperformance of [REDACTED] for 2025/26. The 2024/25 underperformance is partly a result of the simplified inflation adjustment described above. For both years, the outcome is also affected by the application of the RFPR Regulatory Gearing Ratio. Applying the correct actual gearing basis to the notional gearing calculation, NEP's debt performance was [REDACTED] outperformance for 2024/25 and [REDACTED] outperformance for 2025/26. This is driven by the fact that the Licensee has hedged a significant proportion of its debt at nominal interest rates. As the Licensee has hedged a significant proportion of its debt at nominal interest rates, actual inflation being higher than the inflation assumption used to derive the allowed real cost of debt results in a realised real cost of debt that is lower than the allowed real cost of debt, thereby generating outperformance.

For the Reporting Period, debt underperformance at actual gearing was [REDACTED] for 2024/25 and [REDACTED] for 2025/26 due to NEP's gearing being greater than the 60% notional level applied to the RAV Cost of Debt recovery.

The "R6 - Net Debt" tab reports annual actual and forecast Net Debt in accordance with the regulatory definition and reconciles actual Net Debt to the statutory accounts. For period ending 25/26, there was no difference between NEP's regulatory and statutory Net Debt, with closing Net Debt of £960.5m.

Although NEP was 100% debt funded during the reporting period, the RFPR calculated actual regulatory gearing of 86%, compared with notional gearing of 60%. Consequently, the same cumulative allowed equity return of [REDACTED] is measured against a smaller actual equity RAV of approximately [REDACTED], producing an allowed equity return of [REDACTED] at actual gearing. The higher percentage reflects the smaller equity base.

The Licensee has included a Regulated Asset Ratio to show the Regulatory Gearing Ratio on a basis that is consistent with the Licence and NEP's financing agreement. This reflects the fact that NEP's shareholders have committed equity to the company, supported by a parent company guarantee.

5.7 RAV

This section provides a summary of the annual (S)RAV position as published in the latest PCFM.

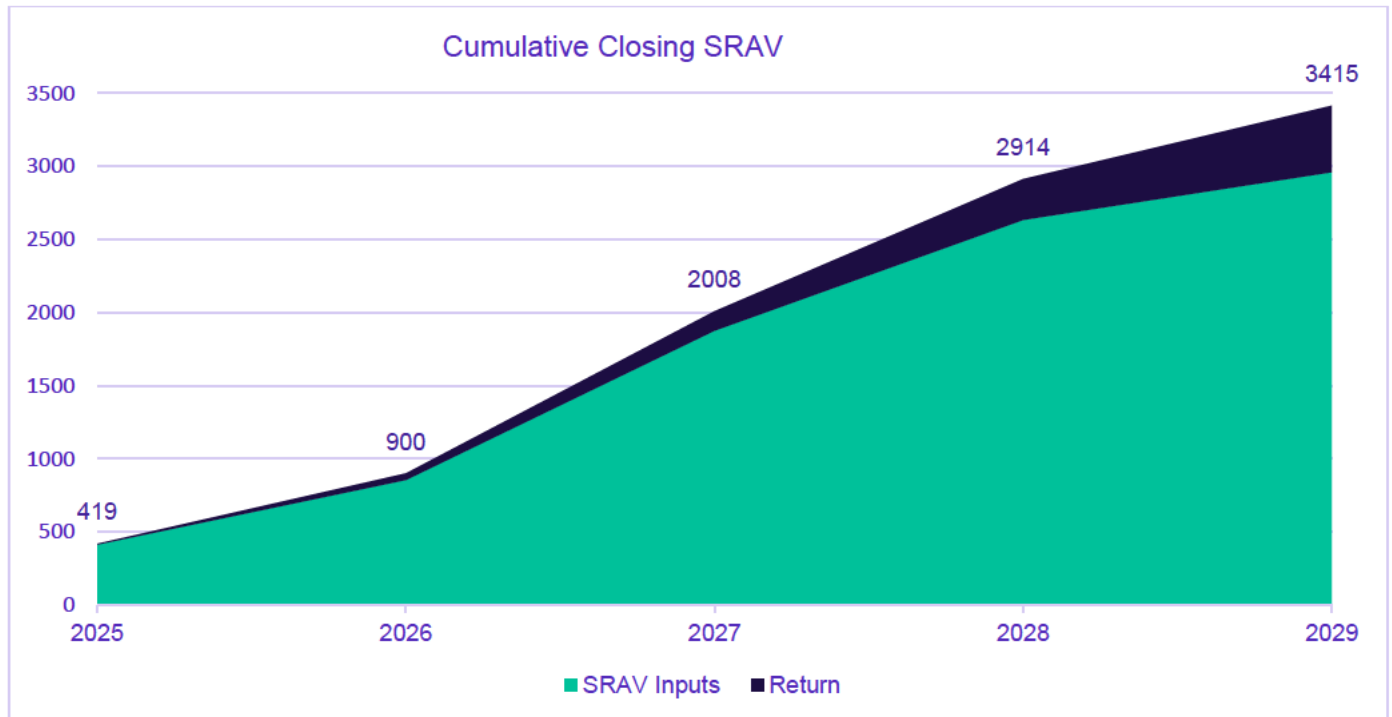
The RAV is a key building block of price control performance, representing the value upon which the Licensee earns a return in accordance with the regulatory Weighted Average Cost of Capital ("WACC") and receives a depreciation allowance. It serves as the mechanism through which shareholders recover their investment over time.

As the Licensee has not yet reached COD, expected in February 2029, the company is currently accruing additions to its SRAV, which will be transferred to the RAV at COD.



SRAV at the end of the Reporting Period was £900m. SRAV growth is anticipated to ramp up in coming years as construction ramps up in line with the Approved Project Development Plan.

The total SRAV expected to be transferred to RAV at COD is £3,415m.



5.8 Taxation and Tax Reconciliation

This section summarises the differences between the Licensee's actual corporation tax liability, as reported in the CT600, and the calculated tax allowance in the latest PCFM. Due to the timing of CT600 submission, this reconciliation is submitted with a one-year lag.

The Licensee submitted its first CT600 in March 2026. However, no tax was paid for the period covered and, as a result, "R8a - Tax Reconciliation" and the accompanying commentary are not included within the RFPR template or this document.

As per the PCFM handbook, where gearing is greater than the notional gearing of 60%, the resulting tax benefit from the higher deductible interest may be returned to users and therefore results in regulated tax underperformance.

6. Financial Resilience

During the Reporting Period, the financial resilience of the Licensee was unchanged from that reported at licence award.



7. Corporate Governance

The Licensee is a wholly owned subsidiary of Net Zero North Sea Storage Holdings Limited, whose shareholders are BP CCUS UK NEP Ltd, Equinor Low Carbon UK Limited and TotalEnergies CCS UK Limited (“Shareholders”).

The corporate ownership structure of the Licensee can be found in Appendix A.

At the end of the Reporting Period, the board of the Licensee consisted of five Shareholder-nominated Non-Executive Directors and two Sufficiently Independent Directors. The board has no Executive Directors.

The Licensee’s board composition as at 31 March 2026 was as follows:

Name	Director Type	Appointment Date
MCFADZEAN, Dr Peter James	Shareholder appointed non-executive	4/6/2024
LE PARC, Gael	Shareholder appointed non-executive	4/6/2024
BROWN, Gavin Robert	Shareholder appointed non-executive	1/10/2025
ELDERING, Lambertus Herman	Shareholder appointed non-executive	18/12/2024
NABEEH, Ahmed Alaaeldin Abdelhamid	Shareholder appointed non-executive	23/12/2024
MELLOTT-BATTY, Thomas Grant	Sufficiently Independent Director	12/12/2024
WHITTINGTON, Joanna Sarah	Sufficiently Independent Director	12/12/2024

Board resignations during the reporting period:

Name	Director Type	Appointment Date	Resignation Date
KABIR, Theresa Joanne	Shareholder appointed non-executive	28/8/2024	1/10/2025

During the Reporting Period, the board was supported by four board committees:

Board Committee	Board Directors on Committee
Commercial & Regulatory Committee	- LE PARC, Gael (Chair) - ELDERING, Lambertus Herman - BROWN, Gavin Robert
Technical & Operations Committee	- NABEEH, Ahmed Alaaeldin Abdelhamid (Chair) - LE PARC, Gael
Audit, Risk & Compliance Committee	- WHITTINGTON, Joanna Sarah (Chair) - ELDERING, Lambertus Herman



Remuneration Committee	MELLOTT-BATTY, Thomas Grant (Chair)
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The following table explains where decision-making responsibilities are reserved for the Licensee's board and where decision-making responsibilities are reserved for Shareholders:

Decision	Decision Making Responsibility
Purpose, values, risk, audit and strategy	Purpose, values, risk, audit and strategy are all matters reserved for the Licensee's board.
Board director nominations	The structure, size and composition of the board is defined in the Licensee's Shareholder Agreement. Each Shareholder with an equity shareholding of Net Zero North Sea Storage Holdings Limited of at least 10% (or 6.03% in respect of TotalEnergies CCS UK Limited) is entitled to nominate a Director and an Alternate Director to the board. In addition to the Shareholder appointed non-executive directors, the board appoints two Sufficiently Independent Directors in accordance with the requirements of the Licence.
Board director evaluation	The board evaluation process is a matter reserved for the board.
Executive remuneration	High-value remuneration, including that of the Managing Director, is determined directly by the Board.
Dividend policy	The Licensee's Distribution Policy is defined within the Licensee's Shareholder Agreement (see Appendix B) Approval of any dividends or other distributions outside the Distribution Policy is a matter reserved for Shareholders.

8. Executive Remuneration

During the Reporting Period, high-value remuneration, including that of the Managing Director, was determined directly by the Board. The Managing Director's remuneration comprised a fixed salary and employer pension contributions.

To strengthen its governance framework, the Company has recently established a Remuneration Committee as a sub-committee of the Board. The Committee supports the Board in discharging its responsibilities regarding compensation, talent management, and strategic human resources oversight, including the design, review, and maintenance of a competitive Remuneration Policy that attracts, retains, and motivates high-calibre individuals while aligning their interests with the long-term success of the Company. The Committee is also responsible for the annual assessment of the Managing Director's performance against agreed strategic objectives and key performance measures.



The current members of the Remuneration Committee are Grant Batty (Committee Chair and Sufficiently Independent Director), alongside subject matter experts representing each of the Shareholder organisations.

The Committee is currently finalising a formal Remuneration Policy. This policy is expected to introduce a performance-related incentive framework designed to align executive remuneration with the long-term sustainable success of the Company. The policy and associated incentive arrangements were not operational during the reporting period and therefore had no impact on remuneration paid during the year.

9. Dividend Policy

A copy of the Licensee's Distribution Policy can be found in Appendix B.

During the reporting period, the Licensee did not declare a dividend.

10. Pensions and Other Activities

During the Reporting Period, the Licensee did not participate in any defined benefit pension schemes.

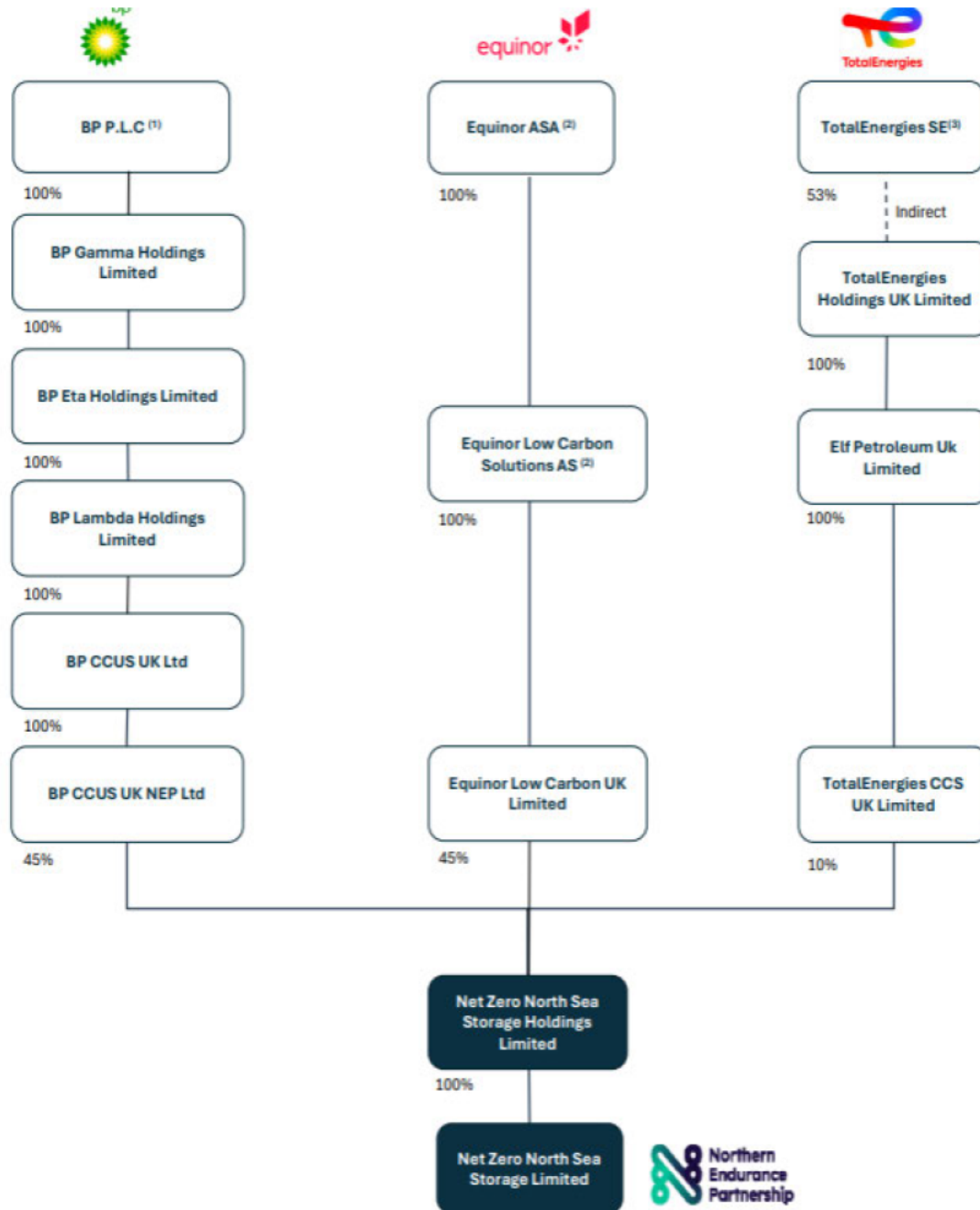
11. Data Assurance

The RFPR submission has been completed in line with the Data Assurance Guidance. A risk assessment was conducted, and the Total Risk Rating was medium. The appropriate level of assurance was then applied which are summarised below:

1. Data Producer Review: Data inputs and commentary were prepared, reviewed, and assured at operational level by the NEP Commercial Advisor for Planning and Performance Management.
2. Second-Person Review: A detailed peer review and cross-check of the submission was performed by the NEP Commercial Analyst.
3. Independent Expert Review: Review was undertaken by NEP's Board Commercial Committee.
4. Senior Manager Sign-Off: The submission was reviewed and signed off by NEP's Finance and Commercial Manager.
5. Final Board Director Sign-Off: The RFPR submission was approved by NEP's Board.



Appendix A – Corporate Ownership Structure



Appendix B –DISTRIBUTION POLICY

18.1 Within twenty (20) Business Days after the end of each half Financial Year following the Commercial Operations Date, the Board shall approve as an Enhanced Majority decision the amount of cash required to be retained by the Company for the next twelve (12) month period (the “Minimum Cash Reserve”) after:

- (a) taking into account cash flow projections and requirements (whether or not specifically detailed in the applicable Work Programme & Budget, including to enable the JV Group to satisfy its obligations and liabilities when they fall due (including in respect of any and all payments which will or are reasonably likely to become due by the JV Group)); and
- (b) making all necessary, reasonable and prudent provisions and reserves for the JV Group’s anticipated liabilities and working capital requirements as are detailed in the Business Plan and the current Budget and otherwise to ensure that the JV Group remains in compliance with the terms of any Finance Documents including any lenders’ required reserve account requirements; and
- (c) taking into account any requirements of the TRI Licence and the Storage Licence(s); and
- (d) excluding any amounts relating to capital expenditure that are expected to be the subject of any Cash Calls or Interim Cash Calls.

18.2 Subject to Applicable Laws, the terms of any Finance Documents and Clause 26, the dividend and distribution policy of the Company, Holdco and each JV Group Company shall be to apply or distribute all cash available to the Company in excess of the Minimum Cash Reserve (“Distributable Amounts”) as follows (the “Distribution Policy”):

- (a) first, on a semi-annual basis, in and towards repayment of any sums outstanding under any Shortfall Funding Loan (including pursuant to Clause 23.6(b) of this Agreement) and any related Intercompany Loan Notes, and payment of accrued interest, as if payable on demand, with priority being given to the amounts, and accrued interest, which have been outstanding for the longest period, but otherwise pro rata;
- (b) second, on a semi-annual basis, in and towards repayment of any sums outstanding under any Emergency Funding Loan Notes (and any related Intercompany Loan Notes), and payment of accrued interest, as if payable on demand, with priority being given to the amounts, and accrued interest, which have been outstanding for the longest period, but otherwise pro rata;
- (c) third, on a semi-annual basis, in and towards payment of any accrued but unpaid interest on any Cash Call Loan Notes (and any related Intercompany Loan Notes) pro rata;
- (d) fourth, on a semi-annual basis, in respect of any remaining Distributable Amounts, in and towards:



- (i) repayment of the principal amount outstanding on any Cash Call Loan Notes (and, in each case, any related Intercompany Loan Notes) pro rata; and/or
- (ii) the declaration and payment of a dividend from the Company to Holdco and from Holdco to the Shareholders (as applicable) pro rata,

in such proportions as may be agreed between the Shareholders with the objective of minimising trapped cash in the JV Group and having regard to the tax deductibility of interest on Shareholder Loans. If the Shareholders are unable to agree the proportions, then the remaining Distributable Amounts shall first be used to declare and pay the maximum dividend possible from the Company to Holdco and from Holdco to the Shareholders (as applicable) and then towards repayment of the principal amount outstanding on any Cash Call Loan Notes (and, in each case, any related Intercompany Loan Notes) pro rata.

