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in black type, or
bold block lettering

*insert full name
of Company

COMPANIES FORM No. 395**Particulars of a mortgage or charge**

A fee of £13 is payable to Companies House in respect
of each register entry for a mortgage or charge.

Pursuant to section 395 of the Companies Act 1985

To the Registrar of Companies
(Address overleaf - Note 6)

Name of company

* Kellen Acquisitions Limited (the "Company")

Date of creation of the charge

7 April 2005 as amended on 24 January 2006

Description of the instrument (if any) creating or evidencing the charge (note 2)

Supplemental Deed of Amendment dated 24 January 2006 between the Company and Citicorp Trustee Company Limited as trustee for the Secured Parties (as hereinafter defined) (the "Security Trustee") (the "Supplemental Deed") amending a Debenture (continued on Continuation Sheet No.1)

Amount secured by the mortgage or charge

All obligations which the Company may at any time have to the Security Trustee (whether for its own account or as trustee for the Second parties) or any of the other Secured Parties under or pursuant to the Finance Documents (including the Debenture as amended by the Supplemental Deed) including any liability in respect of any further advances made under the Finance Documents, whether present or future, actual or contingent (and whether incurred solely or jointly and whether as principal or as surety or in some other capacity) and, when due and payable, every sum at any time owing, due or incurred by the Company to the Security Trustee (whether for its own account or as trustee for the Secured Parties) or any of the other Secured Parties in respect of any such liabilities provided that neither such covenant nor the security constituted by the Debenture as amended by the Supplemental Deed shall extend to or include any liability or sum which would, but for this proviso, cause such covenant or security to be unlawful or prohibited by any applicable law (the "Secured Obligations"). (Continued on Continuation Sheet No.1)

Names and addresses of the mortgagees or persons entitled to the charge

Citicorp Trustee Company Limited (as Security Trustee for the Secured Parties), Citigroup Centre, 33 Canada Square, Canary Wharf, London

Postcode E14 5LB

Presentor's name address and
reference (if any):

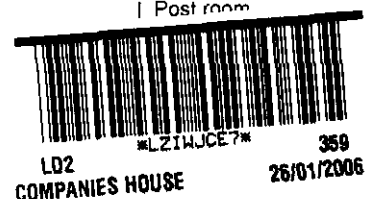
Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

MCW:MGXM:70-20424484

Time critical reference

For official Use (02/00)
Mortgage Section

Post room



Short particulars of all the property mortgaged or charged

The Company has charged with full title guarantee in favour of the Security Trustee as trustee for the Secured Parties with the payment and discharge of the Secured Obligations, by way of first fixed charge (which so far as it relates to land in England and Wales vested in the Company at the date of the Debenture as amended by the Supplemental Deed shall be a charge by way of legal mortgage) all the Company's right, title as amended by the Supplemental Deed and interest from time to time in and to each of the following assets: the Real Property (if any); the Tangible Moveable Property; the Accounts; the Intellectual Property (if any); any goodwill and rights in relation to the uncalled capital of the Company (if any); the Investments; the Shares, all dividends, interest and other monies payable in respect of the Shares and all other Related Rights (whether derived by way of redemption, bonus, preference, option, substitution, conversion or otherwise) (the "**Shares Portfolio**"); and all Monetary Claims and all Related Rights other than any claims which are otherwise subject to a fixed charge or assignment (at law or in equity) pursuant to the Debenture as amended by the Supplemental Deed. (Continued on Continuation Sheet No.1)

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Please complete legibly, preferably in black type, or bold block lettering

Particulars as to commission allowance or discount (note 3)

None

Signed

Clifford Chance

Date 26 January 2006

On behalf of ~~company~~ [mortgagee/chargee] † Citicorp Trustee Company Limited

A fee is payable to Companies House in respect of each register entry for a mortgage or charge. (See Note 5)

Notes

- 1 The original instrument (if any) creating or evidencing the charge, together with these prescribed particulars correctly completed must be delivered to the Registrar of Companies within 21 days after the date of creation of the charge (section 395). If the property is situated and the charge was created outside the United Kingdom delivery to the Registrar must be effected within 21 days after the date on which the instrument could in due course of post, and if dispatched with due diligence, have been received in the United Kingdom (section 398). A copy of the instrument creating the charge will be accepted where the property charged is situated and the charge was created outside the United Kingdom (section 398) and in such cases the copy must be verified to be a correct copy either by the company or by the person who has delivered or sent the copy to the Registrar. The verification must be signed by or on behalf of the person giving the verification and where this is given by a body corporate it must be signed by an officer of that body. A verified copy will also be accepted where section 398(4) applies (property situate in Scotland or Northern Ireland) and Form No. 398 is submitted.
- 2 A description of the instrument, eg "Trust Deed", "Debenture", "Mortgage", or "Legal charge", etc, as the case may be, should be given.
- 3 In this section there should be inserted the amount or rate per cent. of the commission, allowance or discount (if any) paid or made either directly or indirectly by the company to any person in consideration of his;
 - (a) subscribing or agreeing to subscribe, whether absolutely or conditionally, or
 - (b) procuring or agreeing to procure subscriptions, whether absolute or conditional,for any of the debentures included in this return. The rate of interest payable under the terms of the debentures should not be entered.
- 4 If any of the spaces in this form provide insufficient space the particulars must be entered on the prescribed continuation sheet.
- 5 A fee of £13 is payable to Companies House in respect of each register entry for a mortgage or charge. Cheques and Postal Orders must be made payable to **Companies House**.
- 6 The address of the Registrar of Companies is: Companies House, Crown Way, Cardiff CF14 3UZ

† delete as appropriate

**Particulars of a mortgage or charge
(continued)**

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Continuation sheet No 1
to Form No 395 and 410 (Scot)

*Please complete
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Company Number

05366060

Name of Company

Kellen Acquisitions Limited (the "Company")

Limited*

* delete if
inappropriate

Description of the instrument creating or evidencing the mortgage or charge (continued) (note 2)

dated 7 April 2005 granted by the Company in favour of the Security
Trustee (the "**Debenture**").

See the Schedule for definitions used in this Form 395 that are not defined
in the body of this Form 395.

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Names, addresses and descriptions of the mortgagees or persons entitled to the charge (continued)

*Please complete
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in black type, or
bold block lettering*

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in black type, or
bold block lettering*

The Company has assigned and has agreed to assign absolutely with full title guarantee to the Security Trustee as security for the payment and discharge of the Secured Obligations all the Company's right, title and interest from time to time in and to each of the following assets; the proceeds of any Insurance Policy and all Related Rights; all rights and claims in relation to any Assigned Account; and the Specific Contracts.

The Company with full title guarantee has charged in favour of the Security Trustee as trustee for the Secured Parties with the payment and discharge of the Secured Obligations by way of first floating charge (the "**Floating Charge**") all present and future assets and undertaking of the Company. The Floating Charge is deferred in point of priority to all fixed Security validly and effectively created by the Company under the Finance Document in favour of the Security Trustee as trustee for the Secured Parties as security for the Secured Obligations. Para 14 of Schedule B1 to the Insolvency Act 1986 applies to the Floating Charge.

The Debenture as amended by the Supplemental Deed contains covenants for further assurance and the following negative pledge:

The Company undertakes that it shall not, at any time during the subsistence of the Debenture as amended by the Supplemental Deed, create or permit to subsist any Security over all or any part of the Charged Property other than Security permitted pursuant to the Senior Facilities Agreement.

The Company undertakes that it shall not (and shall not agree to) at any time during the subsistence of the Debenture as amended by the Supplemental Deed, except as permitted pursuant to the Senior Facilities Agreement or by Clause 7 of the Debenture as amended by the Supplemental Deed: execute any conveyance, transfer, lease or assignment of, or other right to use or occupy, all or any part of the Charged Property; create any legal or equitable estate or other interest in, or over, or otherwise relating to, all or any part of the Charged Property; (a) grant or vary, or accept any surrender, or cancellation or disposal of, any lease, tenancy, licence, consent or other right to occupy in relation to any of the Charged Property or (b) allow any person any rights to use or occupy or to become entitled to assert any proprietary interest in, or right over, the Charged Property, which may, in each case, materially and adversely affect the value of any of the Charged Property or the ability of the Security Trustee to exercise any of the Collateral Rights; or assign or otherwise dispose of any interest in any Account and no right, title or interest in relation to any Account maintained with the Security Trustee, or the credit balance standing to any such Account shall be capable of assignment or other disposal.

Schedule to Form 395 in relation to the Supplemental Deed of Amendment amending the Debenture.

**SCHEDULE
DEFINITIONS**

In this Form 395:

"Accession Letter" means a document substantially in the form set out in Part I of Schedule 6 (*Form of Accession Letter*) to the Senior Facilities Agreement.

"Account" means any account opened or maintained by the Company with the Security Trustee, the Account Bank, any bank or any other financial institution or any other person (and any replacement account or redesignation, subdivision or subaccount of that account), the debt or debts represented thereby and all Related Rights.

"Account Bank" means Citibank, N.A., London Branch and any successor or replacement thereof in accordance with the terms of the Finance Documents.

"Acquisition" means the acquisition by the Company of the Target Shares pursuant to or in accordance with the Schemes (including the cancellation of the Ordinary Shares in issue pursuant to the Ordinary Scheme (other than in respect of any Ordinary Shares the vendors of which have in accordance with the Scheme Documents elected to receive Loan Notes as consideration for them)) and the issue of New Shares pursuant to the Ordinary Scheme.

"Acts" means the Gas Acts and the Water Act.

"Additional Borrower" means a company which becomes a Borrower in accordance with Clause 31 (*Changes to the Obligors*) of the Senior Facilities Agreement.

"Additional Guarantor" means a company which becomes a Guarantor in accordance with Clause 31 (*Changes to the Obligors*) of the Senior Facilities Agreement.

"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.

"Agent" means Citibank International plc.

"Ancillary Facility" means any ancillary facility made available by an Ancillary Lender in accordance with Clause 9 (*Ancillary Facilities*) of the Senior Facilities Agreement.

"Ancillary Lender" means each Lender (or Affiliate of a Lender) which makes available an Ancillary Facility in accordance with Clause 9 (*Ancillary Facilities*) of the Senior Facilities Agreement.

"Arrangers" means Barclays Capital and Citigroup Global Markets Limited.

"Assigned Account" means the Holding Account, the Mandatory Prepayment Account and any Account that may from time to time be identified in writing as an Assigned Account by the Security Trustee.

"Authorisation" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

"Available Commitment" means, in relation to a Facility, a Lender's Commitment under that Facility minus (subject to Clause 9.7 (*Affiliates of Lenders as Ancillary Lenders*) of the Senior Facilities Agreement and as set out below):

- (a) the amount of its participation in any outstanding Utilisations under that Facility (whether or not Cash Collateral has been provided in respect of a Utilisation) and in the case of the Revolving Facility only, the amount of the aggregate of its Ancillary Commitments; and
- (b) in relation to any proposed Utilisation, the amount of its participation in any other Utilisations that are due to be made under that Facility on or before the proposed Utilisation Date and in the case of the Revolving Facility, the amount of its Ancillary Commitment in relation to any new Ancillary Facility that is due to be made available on or before the proposed Utilisation Date.

For the purposes of calculating a Lender's Available Commitment in relation to any proposed Utilisation under the Revolving Facility only, the following amounts shall not be deducted from a Lender's Commitment under that Facility:

- (i) that Lender's participation in any Revolving Facility Loans that are due to be repaid or prepaid on or before the proposed Utilisation Date; and
- (ii) that Lender's (or its Affiliate's) Ancillary Commitments to the extent that they are due to be reduced or cancelled on or before the proposed Utilisation Date.

"Available Facility" means, in relation to a Facility, the aggregate for the time being of each Lender's Available Commitment in respect of that Facility.

"Barclays Existing Hedging Agreements" means (a) the ISDA master agreement (and schedule thereto) dated 21 November 2003 between East Surrey Energy Investments Limited and Barclays Bank PLC, the amended rate swap confirmation (reference 449941B/449943B) dated 2 January 2004 between East Surrey Energy Investments Limited and Barclays Bank PLC and the amended rate swap confirmation (reference 449974B/449983B) dated 17 February 2004 between East Surrey Energy Investments Limited and Barclays Bank PLC.

"Borrower" means the Company or an Additional Borrower unless it has ceased to be a Borrower in accordance with Clause 31 (*Changes to the Obligors*) of the Senior Facilities Agreement.

"Cash Collateral" means in relation to each Performance Bond, Letter of Credit or L/C Proportion of a Letter of Credit or Performance Bond, a deposit in such interest bearing account or accounts with a Lender, such deposit and account to be secured in favour of the Finance Parties pursuant to a Transaction Security.

"Cash Collateral Documents" means any documents as the Agent may specify to be entered into in relation to the Cash Collateral.

"Capex and REA Commitment" means:

- (a) in relation to an Original Lender, the amount set opposite its name under the heading "Capex and REA Commitment" in Part II of Schedule 1 (*The Original Parties*) to the Senior Facilities Agreement and the amount of any Capex and REA Commitment transferred to it under the Senior Facilities Agreement; and
- (b) in relation to any other Lender, the amount of any Capex and REA Commitment transferred to it under the Senior Facilities Agreement,

to the extent not cancelled, reduced or transferred by it under the Senior Facilities Agreement.

"Capex and REA Facility" a sterling term loan facility in an aggregate amount equal to the £95,000,000 made available under the terms of the Senior Facilities Agreement.

"Charged Property" means all of the assets of the Company which from time to time are, or are expressed to be, the subject of the security created or expressed to be created in favour of the Security Trustee by or pursuant to the Debenture as amended by the Supplemental Deed.

"Closing Date" means the date falling no later than 14 days from the Effective Date, being the date upon which the consideration for the Acquisition is to be paid.

"Commitment" means a Term Commitment or Revolving Facility Commitment or a Capex and REA Commitment.

"Company/Target Intra-Group Loan Agreement" means the loan agreement in the agreed form between the Company and the Target or any member of the Target Group (other than a member of the Water Group).

"Compliance Certificate" means a certificate substantially in the form set out in Schedule 7 (*Form of Compliance Certificate*) to the Senior Facilities Agreement.

"Delegate" means any delegate, agent, attorney or co-trustee appointed by the Security Trustee.

"Effective Date" means the date on which the court order sanctioning the Ordinary Scheme is filed at Companies House and registered by the Registrar of Companies or, if later, the date on which the Target has received a certificate of registration from Companies House under section 138 of the Companies Act 1985 in relation to a reduction in capital pursuant to the Ordinary Scheme.

"Energy Act" means the Energy Act 2004 as amended.

"Energy Order" means the Energy (Northern Ireland) Order 2003 No. 419 (N.1.6).

"Facility" means the Term Facility, the Revolving Facility and the Capex and REA Facility.

"Fee Letters" means the letters dated 7 April 2005 between the Arrangers and the Company (or the Agent and the Company or the Security Trustee and the Company) setting out any of the fees referred to in Clause 18 (*Fees*) of the Senior Facilities Agreement.

"Finance Document" means the Senior Facilities Agreement, the First Amendment Financing Documents, the Second Amendment Financing Documents, the Syndication Letter, the Go To Market Letter, any Accession Letter, any Compliance Certificate, any Fee Letter, any Hedging Letter, any Hedging Agreement, the Intercreditor Agreement, any Selection Notice, any Transaction Security Document, any Utilisation Request and any other document designated in writing as a **"Finance Document"** by the Agent and the Relevant Party.

"Finance Party" means the Agent, the Arrangers, the Security Trustee, the Fronting Bank, the Issuing Bank, the Account Bank, a Lender, a Hedge Counterparty or the Ancillary Lender.

"First Amendment Agreement" means the amendment agreement dated 5 May 2005 between amongst others the Company, the Original Borrower, the Guarantor, the Original Lenders, the Agent and the Security Trustee.

"First Amendment Financing Documents" shall have the meaning set out in the First Amendment Agreement.

"Fronting Bank" means Citibank N.A., London Branch.

"Gas Act" means the Gas Act 1986 (as amended).

"Gas Acts" means (i) the Gas Act, (ii) the Gas Order, (iii) the Energy Act, and (iv) the Energy Order.

"Gas Licence" means the combined licences for the conveyance and supply of gas in Northern Ireland granted to Phoenix Natural Gas Limited by the Department of Enterprise, Trade and Investment under Article 8(1) of the Gas Order, as amended by the Energy Order and as modified and/or replaced from time to time under the Gas Order, as amended by the Energy Order.

"Gas Order" means the Gas (Northern Ireland) Order 1996 No. 275 (N.I.2).

"Go to Market Letter" means the letter dated 7 April 2005 relating to the Permitted Capital Markets Issue between certain of the parties to the Senior Facilities Agreement and described as the Go to Market Letter.

"Group" means the Company and each of its Subsidiaries for the time being other than Kellen Venture Limited and the Subsidiaries of Kellen Venture Limited.

"Guarantor" means the Company or an Additional Guarantor unless it ceases to be a Guarantor in accordance with Clause 31 (*Changes to the Obligors*) of the Senior Facilities Agreement.

"Hedge Counterparty" means any person which has become a party in accordance with the provisions of the Intercreditor Agreement.

"Hedging Agreement" means any master agreement, confirmation, schedule or other agreement entered into or to be entered into by an Obligor and a Hedge Counterparty

(including the Barclays Existing Hedging Agreements) for the purpose of hedging liabilities in accordance with the terms of the Hedging Letter). For the avoidance of doubt, the agreements solely for Treasury Transactions permitted pursuant to Clause 28.32 (a)(ii) and (a)(iii) shall not constitute Hedging Agreements for the purpose of hedging liabilities in accordance with the terms of the Hedging Letter.

"Hedging Letter" means a letter between the Agent and the Company dated on or before the date of the Second Amendment Agreement as amended from time to time, describing the hedging arrangements to be entered into in respect of the interest rate liabilities of the Borrowers of the Facility.

"Holding Account" means an account:

- (a) held in England and Wales by a member of the Group with the Account Bank;
- (b) identified in a letter between the Company and the Agent as a Holding Account; and
- (c) subject to Security in favour of the Security Trustee which Security is in form and substance satisfactory to the Security Trustee,

as the same may be redesignated, substituted or replaced from time to time.

"Holding Company" means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

"Instrument of Appointment" means the Instrument of Appointment by the Secretary of State for the Environment of the Licensed Water Undertaker as a water undertaker under the Water Act 1989, as from time to time modified by the Regulations under sections 11 to 17 of the Water Act.

"Insurance Policy" means any policy of insurance in which the Company may from time to time have an interest.

"Intercreditor Agreement" means the intercreditor agreement dated 7 April 2005 and made between, inter alios, Kellen Investments Limited as Parent, the Company, the Obligors, the Security Trustee, the Lenders, the Hedge Counterparty and certain others.

"Intellectual Property" means any patents, trade marks, service marks, designs, business names, copyrights, design rights, moral rights, inventions, confidential information, knowhow and other intellectual property rights and interests, whether registered or unregistered, the benefit of all applications and rights to use such assets and all Related Rights.

"Investments" means:

- (a) any stocks, shares, debentures, securities and certificates of deposit (but not including the Shares);
- (b) all interests in collective investment schemes; and

- (c) all warrants, options and other rights to subscribe or acquire any of the investments described in (a) and (b),

in each case whether held directly by or to the order of the Company or by any trustee, nominee, fiduciary or clearance system on its behalf and all Related Rights (including all rights against any such trustee, nominee, fiduciary or clearance system).

"Issuing Bank" means Citibank N.A., London Branch.

"L/C Proportion" means, in relation to a Lender under the Revolving Facility, in respect of any Letter of Credit or Performance Bond and save as otherwise provided in the Senior Facilities Agreement, the proportion (expressed as a percentage) borne by that Lender's Available Commitment under the Revolving Facility to the Available Facility in respect of the Revolving Facility immediately prior to the issue of that Letter of Credit or Performance Bond.

"Lender" means:

- (a) Citibank N.A.;
- (b) Barclays Bank PLC; and
- (c) any bank, financial institution, trust, fund or other entity which has become a Party in accordance with Clause 30 (*Changes to the Lenders*) of the Senior Facilities Agreement,

which in each case has not ceased to be a party to the Senior Facilities Agreement in accordance with the terms thereof.

"Letter of Credit" means a letter of credit issued or to be issued by the Fronting Bank under the Revolving Facility substantially in the form set out in Schedule 11 (*Form of Letter of Credit*) to the Senior Facilities Agreement or in such other form requested by the Company which is acceptable to the Agent and the Fronting Bank (each acting reasonably).

"Licensed Gas Undertaker" means at any time the person who holds one or more of the Licences.

"Licensed Water Undertaker" means at any time the person appointed as a water undertaker under the Instrument of Appointment (being at the date hereof Sutton and East Surrey Water plc).

"Licences" means the Gas Licence, the Gas Shipper Licence held by Phoenix Natural Gas Limited granted under section 7A(2) of the Gas Act 1986 on 26 January 2004 (as modified under the Gas Act), and the Gas Transporter Licences held by ESP Pipelines Limited (as previously held by United Utilities Gas Pipelines Limited), E.S Pipelines Limited, and ESP Networks Limited (as previously held by United Utilities Gas Networks), each of which granted under section 7 of the Gas Act 1986 as amended and restated by a licensing scheme made by the Secretary of State on 28 September 2001 (each of which as modified under the Gas Acts).

"Loan" means a Term Loan, a Capex and REA Loan or a Revolving Facility Loan.

"Loan Note" means a loan note issued or to be issued by the Company pursuant to the Loan Note Instrument in relation to the Ordinary Scheme as described in the Press Release.

"Loan Note Guarantee" means a guarantee (in respect of a principal amount of Loan Notes) issued or to be issued by the Issuing Bank in the form agreed between the Issuing Bank and the Company.

"Loan Note Instrument" means the loan note instrument issued by the Company pursuant to which the Loan Notes are, or are to be, constituted.

"Mandatory Prepayment Account" means an interest-bearing account:

- (a) held in England and Wales or Northern Ireland by a Borrower with the Account Bank;
- (b) identified in a letter between the Company and the Agent as a Mandatory Prepayment Account;
- (c) subject to Security in favour of the Security Trustee which Security is in form and substance satisfactory to the Agent and Security Trustee; and
- (d) from which no withdrawals may be made by any members of the Group except as contemplated by the Senior Facilities Agreement,

as the same may be redesignated, substituted or replaced from time to time.

"Monetary Claims" means any book and other debts and monetary claims owing to the Company and any proceeds of such debts and claims (including any claims or sums of money deriving from or in relation to any Intellectual Property, any Investment, the proceeds of any Insurance Policy, any court order or judgment, any contract or agreement to which the Company is a party and any other assets, property, rights or undertaking of the Company).

"New Shares" means the new Ordinary Shares which are to be issued by the Target to the Company pursuant to the Ordinary Scheme.

"NIAER" means the Northern Ireland Authority for Energy Regulation.

"Obligor" means a Borrower or the Guarantor.

"OFGEM" means the Gas and Electricity Markets Authority and/or the Office of Gas and Electricity Markets, including their successor office or body, as appropriate.

"OFREG" means NIAER and/or the Office for the Regulation of Electricity and Gas, including their successor office or body, as appropriate.

"OFWAT" means The Office of Water Services in the United Kingdom and/or the Director General of Water Services, including its successor office or body as appropriate.

"Ordinary Scheme" means the scheme of arrangement under section 425 of the Companies Act 1985 between the Target and the holders of Ordinary Shares, with or subject to any

modification, addition or condition approved or imposed by the court and agreed by the Target and the Company.

"Ordinary Shares" means the ordinary shares of 5 pence each in the capital of the Target.

"Original Borrower" means Kellen Acquisitions Limited.

"Original Lenders" mean Citibank N.A. and Barclays Bank PLC.

"Performance Bond" means any performance bond issued or to be issued by the Fronting Bank under the Revolving Facility in a form requested by the Company which is acceptable to the Agent and the Fronting Bank (each acting reasonably).

"Permitted Capital Markets Issue" means the issue by any member of the Target Group or any Affiliate (other than a member or any Affiliate of the Water Group) or an **"orphan"** of asset backed debt securities, the purpose of which is to refinance the Facility in full or in part.

"Preference Scheme" means the scheme of arrangement under section 425 of the Companies Act 1985 between the Target and the holders of Preference Shares, with or subject to any modification, addition or condition approved or imposed by the court and agreed by the Target and the Company.

"Preference Shares" mean the 7.8% cumulative irredeemable preference shares of £1 each in the capital of the Target.

"Press Release" means the press announcement in the agreed form to be released by the Company and/or the Target to announce the terms of the Scheme.

"Real Property" means:

- (a) any freehold, leasehold or immovable property (including the freehold and leasehold property in England and Wales specified in Schedule 2 hereto); and
- (b) any buildings, fixtures, fittings, fixed plant or machinery from time to time situated on or forming part of such freehold or leasehold property,

and includes all Related Rights.

"Receiver" means a receiver or receiver and manager or, where permitted by any applicable law, an administrative receiver of the whole or any part of the Charged Property and that term will include any appointee made under a joint and/or several appointment.

"Regulator" means the Director General of Water Services or any successor thereto.

"Regulatory Authority" means each of OFREG, the Department of Enterprise, Trade and Investment, the Commission of the European Communities, the UK Office of Fair Trading, the UK Competition Commission, the Secretary of State, the Department of Trade and Industry, the Department for the Environment, Food and Rural Affairs, the Environment Agency, OFGEM, OFWAT, NIAER, the Regulator or any other governmental department or regulatory authority.

"Regulatory Consent" means any Authorisation that is or may in the future be required to be obtained from any Regulatory Authority under the terms of the Licences or the Instrument of Appointment, or under any relevant statutory provision or other law or regulation or any undertakings or assurances agreed with a Regulatory Authority applicable to the activities of the Licensed Gas Undertaker or Licensed Water Undertaker, including, but not limited, to the Acts.

"Regulatory Restrictions" means any restriction which is or may in the future be contained in, or arise from, the terms of the Licences or the Instrument of Appointment, or any relevant statutory provision or other law or regulation or any undertakings or assurances agreed with a Regulatory Authority applicable to the activities of the Licensed Gas Undertaker or Licensed Water Undertaker, including, but not limited, to the Acts, and includes any requirement to obtain Regulatory Consent.

"Related Rights" means, in relation to any asset:

- (a) the proceeds of sale of any part of that asset;
- (b) subject to Regulatory Restrictions, all rights under any licence, agreement for sale or agreement for lease in respect of that asset;
- (c) all rights, powers, benefits, claims, contracts, warranties, remedies, security, guarantees, indemnities or covenants for title in respect of that asset; and
- (d) any monies and proceeds paid or payable in respect of that asset.

"Relevant Party" means, the Company and, following any debt push down referred to in Clause 28.35 (*Debt Push Down*) of the Senior Facilities Agreement, the relevant member of the Target Group (other than a member of the Water Group) save that, if OFREG, OFGEM or OFWAT refuses to give its consent to the debt push down referred to in Clause 28.35 (*Debt Push Down*) of the Senior Facilities Agreement, from the date of such refusal, "Relevant Party" shall mean each of the Company and the relevant member of the Target Group (other than the Water Group).

"Revolving Facility" means a sterling revolving credit facility in an aggregate amount equal to £30,000,000 made available under the terms of the Senior Facilities Agreement.

"Revolving Facility Commitment" means:

- (a) in relation to an Original Lender, the amount set opposite its name under the heading "Revolving Facility Commitment" in Part II of Schedule 1 (*The Original Parties*) to the Senior Facilities Agreement and the amount of any other Revolving Facility Commitment transferred to thereunder; and
- (b) in relation to any other Lender, the amount of any Revolving Facility Commitment transferred to it under the Senior Facilities Agreement,

to the extent not transferred by it, cancelled or reduced under the Senior Facilities Agreement.

"Scheme Circular" means the document to be sent to shareholders of the Target setting out the proposals for the Schemes and containing evidence of the recommendation to the shareholders of Target of the Acquisition and the Schemes by the board of directors of Target.

"Scheme Documents" means, when issued, the Press Release and the Scheme Circular and any other document designated as a "Scheme Document" by the Agent and the Company.

"Schemes" means the Ordinary Scheme and the Preference Scheme.

"Second Amendment Agreement" means the amendment agreement dated 7 November 2005 between amongst others the Company, the Original Borrower, the Guarantor, the Original Lenders, the Agent and Security Trustee.

"Second Amendment Financing Documents" shall have the meaning set out in the Second Amendment Agreement.

"Secured Parties" means the Security Trustee, any Receiver or Delegate (as defined in the Intercreditor Agreement), the Agent, the Fronting Bank, the Issuing Bank, the Account Bank, the Hedge Counterparty and each Lender from time to time party to the Senior Facilities Agreement provided that in the case of the Agent and Lenders such person is party to or has acceded to the Intercreditor Agreement in accordance with its terms.

"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.

"Selection Notice" means a notice substantially in the form set out in Part II of Schedule 3 (*Requests*) to the Senior Facilities Agreement given in accordance with Clause 16 (*Interest Periods and Terms*) thereof in relation to the Term Facility and the Capex and REA Facility.

"Senior Facilities Agreement" means the senior facilities agreement dated 7 April 2005 made between the Company as original borrower and original guarantor, the Arrangers, the Original Lenders, the Fronting Bank, the Issuing Bank, the Agent, the Security Trustee and the Account Bank, each as defined in such agreement as amended, varied, novated or supplemented from time to time.

"SESW Holding Company Limited" means SESW Holding Company Limited, a company incorporated under the laws of England and Wales with registered number 04151446.

"Shares" means (1) on the Closing Date, the Target Shares and (2) after the Closing Date, all of the shares in the capital of any Subsidiary (other than any Subsidiary comprised within the Water Group) of the Company held by, to the order or on behalf of the Company from time to time.

"Specific Contracts" means the Hedging Agreement, the Company/Target Intra Group Loan Agreement and any agreement evidencing loans between the Company and the Target.

"Subsidiary" means a subsidiary undertaking within the meaning of Section 258 of the Companies Act 1985 or Article 266 of the Companies (Northern Ireland) Order 1986 (as relevant).

"Syndication Letter" means the letter dated 7 April 2005 between the Arrangers and the Company relating to syndication of the Facility.

"Tangible Moveable Property" means any plant, machinery, office equipment, computers, vehicles and other chattels (excluding any for the time being forming part of the Company's stock in trade or work in progress) and all Related Rights.

"Target" means East Surrey Holdings Limited, a company incorporated under the laws of England and Wales with registered number 2660370.

"Target Group" means the Target and any Subsidiary of the Target.

"Target Shares" means all of the shares in the capital of the Target held by, to the order or on behalf of the Company.

"Term Commitment" means:

- (a) in relation to an Original Lender, the amount set opposite its name under the heading "Term Commitment" in Part II of Schedule 1 (*The Original Parties*) to the Senior Facilities Agreement and the amount of any Term Commitment transferred to it thereunder; and
- (b) in relation to any other Lender, the amount of any Term Commitment transferred to it under the Senior Facilities Agreement,

to the extent not cancelled, reduced or transferred by it under the Senior Facilities Agreement.

"Term Facility" a sterling term loan facility and loan note guarantee facility in an aggregate amount equal to £333,000,000 made available under the terms of the Senior Facilities Agreement.

"Transaction Security" means the Security created or expressed to be created in favour of the Security Trustee pursuant to the Transaction Security Documents.

"Transaction Security Documents" means each of the documents listed as being a Transaction Security Document in paragraph 3(h) of Part I of Schedule 2 (*Conditions Precedent*) to the Senior Facilities Agreement, any Cash Collateral Document and any document required to be delivered to the Agent under paragraph 11 of Part II of Schedule 2 (*Conditions Precedent*) to the Senior Facilities Agreement together with any other document entered into by any Obligor creating or expressed to create any Security over all or any part of its assets in respect of the obligations of any of the Obligors under any of the Finance Documents.

"Treasury Transactions" means any derivative transaction entered into by a member of the Group (other than the Water Group) in connection with protection against or benefit from fluctuation in any rate or price.

"Utilisation" means a utilisation of a Facility, whether by way of Loan or Letter of Credit or Performance Bond or by way of a Loan Note Guarantee.

"Utilisation Date" means the date of a Utilisation, being the date on which a Loan is made or a Letter of Credit or Performance Bond is issued.

"Utilisation Request" means a notice substantially in the relevant form set out in Part IA of Schedule 3 (*Requests*) to the Senior Facilities Agreement or in the case of a request for a Loan Note Guarantee substantially in the form set out in Part IB of Schedule 3 (*Requests*) to the Senior Facilities Agreement.

"Water Act" means the Water Industry Act 1991 (as amended).

"Water Group" means SESW Holding Company Limited or any of its Subsidiaries and upon completion of the Steps set out in Step 10 of the KPMG Steps Paper, the Target and its Subsidiaries.

In the Debenture as amended by the Supplemental Deed, any reference to the **"Security Trustee"**, the **"Company"**, the **"Agent"** or the **"Secured Parties"** shall be construed so as to include its or their (and any subsequent) successors and any permitted transferees in accordance with their respective interests and any reference to Barclays Capital shall mean Barclays Capital, the Investment Banking division of Barclays Bank PLC.

Terms defined in the Senior Facilities Agreement and/or the Intercreditor Agreement (as applicable including terms incorporated by reference) shall, unless otherwise defined in this Form 395 (and the Schedule) have the same meaning when used in this Form 395 (and the Schedule).

FILE COPY



CERTIFICATE OF THE REGISTRATION OF A MORTGAGE OR CHARGE

Pursuant to section 401(2) of the Companies Act 1985

COMPANY No. 05366060

THE REGISTRAR OF COMPANIES FOR ENGLAND AND WALES HEREBY CERTIFIES THAT A SUPPLEMENTAL DEED OF AMENDMENT DATED THE 24th JANUARY 2006 AND CREATED BY KELLEN ACQUISITIONS LIMITED FOR SECURING ALL MONIES DUE OR TO BECOME DUE FROM THE COMPANY TO CITICORP TRUSTEE COMPANY LIMITED (AS SECURITY TRUSTEE FOR THE SECURED PARTIES) OR ANY OF THE OTHER SECURED PARTIES ON ANY ACCOUNT WHATSOEVER UNDER THE TERMS OF THE AFOREMENTIONED INSTRUMENT CREATING OR EVIDENCING THE CHARGE WAS REGISTERED PURSUANT TO CHAPTER 1 PART XII OF THE COMPANIES ACT 1985 ON THE 26th JANUARY 2006.

GIVEN AT COMPANIES HOUSE, CARDIFF THE 30th JANUARY 2006.

L/C Dmw



Companies House
— for the record —



THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES

