

**AFFINITY WATER FINANCE (2004) LIMITED
AS ISSUER**

AND

**AFFINITY WATER LIMITED
AS ORIGINAL GUARANTOR**

AND

**AFFINITY WATER HOLDINGS LIMITED
AFFINITY WATER PROGRAMME FINANCE LIMITED
AS GUARANTORS**

AND

**DEUTSCHE TRUSTEE COMPANY LIMITED
AS NEW TRUSTEE**

AND

**CITICORP TRUSTEE COMPANY LIMITED
AS ORIGINAL TRUSTEE**

**DEED OF VARIATION
RELATING TO THE
£200,000,000 GUARANTEED BONDS DUE 2026**

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THIS DEED OF VARIATION is made on 4 February 2013 and is supplemental to the trust deed dated 13 July 2004 (as amended and restated on 16 August 2004 with effect as of 13 July 2004) between the Issuer, the Original Guarantor and Citicorp Trustee Company Limited as original trustee (the "**Original Trustee**") (the "**Original Trust Deed**"), and is made between:

- (1) **AFFINITY WATER FINANCE (2004) LIMITED** (formerly known as Three Valleys Water Finance plc and then Veolia Water Central Finance plc) (the "**Issuer**");
- (2) **AFFINITY WATER LIMITED** (formerly known as Three Valleys Water plc and then Veolia Water Central Limited) (the "**Original Guarantor**");
- (3) **AFFINITY WATER HOLDINGS LIMITED** (a "**Guarantor**");
- (4) **AFFINITY WATER PROGRAMME FINANCE LIMITED** (a "**Guarantor**", and together with Affinity Water Holdings Limited and the Original Guarantor, the "**Guarantors**");
- (5) **CITICORP TRUSTEE COMPANY LIMITED** (the "**Original Trustee**"); and
- (6) **DEUTSCHE TRUSTEE COMPANY LIMITED** (the "**New Trustee**", and together with the Original Trustee, the "**Trustee**" which expression, where the context so admits, includes any other trustee for the time being of this Trust Deed).

WHEREAS:

- (A) The Issuer issued £200,000,000 5.875 per cent. Guaranteed Notes due 2026 constituted by the Original Trust Deed and whose terms and conditions are set out in the Original Trust Deed (the "**Original Conditions**").
- (B) Pursuant to clause 8 (*Securitisation Event Covenant*) of the Original Trust Deed and Condition 13 (*Securitisation Event*) of the Original Conditions, the Original Trustee, at the request of the Issuer, hereby consents to the making of certain modifications and amendments to the Original Trust Deed and the Original Conditions as more fully described in this Deed of Variation and as are required by the Issuer to implement the Securitisation (as defined in the Extraordinary Resolution of the Noteholders dated 11 January 2013 (the "**Noteholders Resolution**")).
- (C) Pursuant to clause 13 (*Appointment and Retirement*) of the Trust Deed and the Noteholders Resolution, the Issuer intends to terminate the appointment of the Original Trustee and to appoint the New Trustee as trustee in respect of the Notes subject to, and immediately following, the occurrence of the Closing Date as more fully described in this Deed of Variation.

THIS DEED WITNESSES AND IT IS AGREED AND DECLARED as follows:

1. DEFINITIONS AND INTERPRETATION

- 1.1 Unless otherwise defined in the Original Trust Deed or the context requires otherwise (and subject to Clause 1.2 below), words and expressions used in this Deed of Variation have the meanings and constructions ascribed to them in the Original Trust Deed.

- 1.2 Unless otherwise defined in this Deed of Variation or the context requires otherwise, words and expressions used in Clause 2 (*Modifications*) and the terms and conditions (the "**Conditions**") of the Notes as set out in Schedule 1 hereto have the meanings and constructions ascribed to them in the master definitions agreement dated on or about the date hereof between, *inter alios*, the Issuer and the Original Trustee (the "**Master Definitions Agreement**"), *provided that*, in the event of any inconsistency relating to such words and expressions in the Master Definitions Agreement and this Deed of Variation, this Deed of Variation shall prevail.
- 1.3 References in this Deed of Variation to "**this Trust Deed**" or "**the Trust Deed**" are, in relation to the Notes, to the Original Trust Deed as amended and supplemented by this Deed of Variation.
- 1.4 For the purposes of the amendments described in this Deed of Variation, all references to clauses of the Original Trust Deed and the Conditions are to clauses of the Original Trust Deed and the Conditions before making amendments contemplated by this Deed of Variation.
- 1.5 For the purposes of this Deed of Variation (and unless otherwise specified), all references in the Master Definitions Agreement or in this Deed of Variation to:
- 1.5.1 the "Bonds", "Class A Bonds" or "Existing Issuer Bonds" shall be construed for all purposes as references to "Notes";
- 1.5.2 the "Bondholders" shall be construed for all purposes as references to "Noteholders"; and
- 1.5.3 the "Existing Issuer" shall be construed for all purposes as references to the "Issuer".

2. **MODIFICATION**

Each of the Issuer and the Guarantors agrees and the Original Trustee, as required by the Issuer in connection with the Securitisation pursuant to clause 8 (*Securitisation Event Covenant*) of the Original Trust Deed and acting in accordance with the Noteholders Resolution, consents that with effect on and from the date hereof, the Original Trust Deed will be modified as follows (it being expressly acknowledged that, subject to the modifications described herein, the Original Trust Deed will remain in full force and effect) (such modifications, the "**Securitisation Modifications**"):

- (a) the Terms and Conditions of the £200,000,000 Guaranteed Notes due 2026 set out in Part B of Schedule 2 to the Original Trust Deed will be modified by the deletion of the words shown struck out and the addition of the words shown underlined in Schedule 1 hereto and shall otherwise remain in full force and effect;
- (b) the names of the parties on the cover page and in the description of the parties on the first page shall be updated to refer to the Issuer, each Guarantor and the New Trustee;

- (c) by the deletion of words "THIS TRUST DEED is made on 13 July 2004" in their entirety and their replacement with the following: "THIS TRUST DEED was originally made on 13 July 2004, amended and restated on 16 August 2004 with effect as of 13 July 2004 and further amended on _____ 2013";
 - (d) by the deletion of Recital (B) of the Original Trust Deed and its replacement by the following:

"(B) *(Deleted)*";
 - (e) unless otherwise provided in this Clause 2, by the deletion of the word "Guarantor" wherever it appears in the Original Trust Deed and its replacement by the word "Guarantors";
 - (f) by the deletion of words "means the auditors for the time being of the Issuer or, as the context may require, the Guarantor and, if there are joint auditors, means all or any one of such joint auditors or, in the event of any of them being unable or unwilling to carry out any action requested of them pursuant to this Trust Deed, means such other firm of chartered accountants in England as may be nominated in writing by the Trustee for the purpose" in the definition "Auditors" in Clause 1.1 of the Original Trust Deed and its replacement with the following words "shall have the meaning given to such term in the Master Definitions Agreement";
 - (g) by the deletion of words "means:
 - (a) in relation to the Issuer, any director or any other person or persons notified to the Trustee by any director as being an Authorised Signatory pursuant to sub-clause 6.17 (*Authorised Signatories*); and
 - (b) in relation to a Guarantor, any director of the Guarantor or any other person or persons notified to the Trustee by any director of the Guarantor as being an Authorised Signatory pursuant to sub-clause 6.17 (*Authorised Signatories*);"
- in the definition "Authorised Signatory" in Clause 1.1 of the Original Trust Deed and its replacement with the following words "shall have the meaning given to such terms in the Master Definitions Agreement";
- (h) by the deletion of words "but (in the case of any of the events described in paragraphs (b), (i) or (l) thereof in relation to the Issuer or Guarantor or in relation to a Principal Subsidiary in paragraphs (c), (d), (e), (f) or (g) thereof) only if such event is, pursuant to the provisions of Condition 8, certified by the Trustee to be materially prejudicial to the interests of Noteholders" in the definition "Event of Default" in Clause 1.1 of the Original Trust Deed;
 - (i) by the deletion of the definition of "Principal Subsidiary" in Clause 1.1 of the Original Trust Deed in its entirety;
 - (j) by the deletion of the definition of "Regulated Asset Value" in Clause 1.1 of the Original Trust Deed in its entirety;

(k) by the deletion of the definition of "Securitisation" in Clause 1.1 of the Original Trust Deed in its entirety;

(l) by the addition of new clause 1.6 as follows:

"1.6 STID

This Trust Deed and the rights and obligations of the parties under this Trust Deed are subject to the terms and conditions of the STID and each of the parties hereto agrees to be bound by the terms of the STID as if they had been set out in full *mutatis mutandis* in this Trust Deed. If there is any conflict between the provisions of the STID and the provisions of this Trust Deed, the provisions of the STID, as applicable, will prevail. Except as expressly provided otherwise herein, where under this Trust Deed, the Trustee is entitled or required to exercise any of its powers, trusts, authorities, duties and discretions pursuant to this Trust Deed, the Conditions or the other Securitisation Finance Documents, such exercise will be subject to the provisions of the STID. In the event of any inconsistency between this Trust Deed and the STID, the terms of the STID shall prevail.";

(m) by the addition of new clause 1.7 as follows:

"1.7 The Master Definitions Agreement

For the purposes of this Deed (and unless otherwise specified), all references in the Master Definitions Agreement or in this Deed to:

(a) the "Existing Issuer Bonds" shall be construed for all purposes as references to "Notes";

(b) the "Existing Issuer Bondholders" shall be construed for all purposes as references to "Noteholders"; and

(c) the "Existing Issuer" shall be construed for all purposes as references to the "Issuer".";

(n) by the addition of words "Save as otherwise provided by the STID or the Conditions," at the beginning of Clause 2.2 of the Original Trust Deed;

(o) by the replacement of the word "covenant" with the word "covenants" and the addition of the words "in Clauses 4 (*Guarantee and Indemnity*) and 5 (*Covenant to comply with Trust Deed, Schedules, STID and Finance Documents*)" in the final paragraph of Clause 2.1.3 of the Original Trust Deed;

(p) by the deletion of Clause 2.3 in its entirety;

(q) by changing the words "The Guarantors agree" to "Each guarantor agrees" in the first line of Clause 4.2 of the Original Trust Deed;

(r) by changing the words "The Guarantor" to "Each Guarantor" in the first line and the words "a Guarantor" to "any Guarantor" in the last line of Clause 4.4 of the Original Trust Deed;

- (s) by changing the words "The Guarantor waives" to "Each Guarantor waive" in the first line and by changing the words "the Guarantor" to "Each Guarantor" in the fifth line of Clause 4.5 of the Original Trust Deed;
- (t) by the deletion of Clause 4.9 in its entirety;
- (u) by renaming Clause 5 as follows: " 5. **COVENANT TO COMPLY WITH TRUST DEED, SCHEDULES, STID AND FINANCE DOCUMENTS**";
- (v) by the deletion of Clause 5.1 in its entirety and its replacement with the following new Clause 5.1:

5.2 "The Issuer and the Guarantors each hereby covenant with the Trustee to comply with those provisions of this Trust Deed, the Conditions, the STID and the other Finance Documents which are expressed to be binding on it and to perform and observe the same. The Notes and the Coupons are subject to the provisions contained in this Trust Deed, all of which shall be binding upon the Issuer, the Guarantors, the Noteholders and the Couponholders and all persons claiming through or under them respectively. Subject to the STID, the Trustee shall be entitled to enforce the obligations of the Issuer and the Guarantors under the Notes and the Coupons and the Conditions as if the same were set out and contained in this Trust Deed, which shall be read and construed as one document with the Notes and the Coupons.

- (w) by the addition of the following new Clause 5.2:

"5.2 Financial Ratios

For the avoidance of doubt and notwithstanding anything to the contrary, express or implied, the level of any financial ratio or related financial covenant definition contained within the covenants set out in Part 2 (Financial Covenants) of Schedule 4 (Covenants) to the Common Terms Agreement may, following a Periodic Review or any transfer of activities or any reduction in RCV as a result of any change in price control methodology or any material change in the regulation of the water industry in the United Kingdom, be amended by the Transaction Agent, **provided that:**

- (a) the Security Trustee agrees (acting on the instructions of the Majority Creditors); and
- (b) the relevant ratings set out in the definition of Rating Requirement have been affirmed by all Rating Agencies then rating the Existing Issuer Bonds or in circumstances where a Rating Agency is not willing to issue a rating affirmation due to its then prevailing policy regarding the issue of rating affirmations, the Transaction Agent has certified in writing to the Security Trustee that, in its opinion (and where the relevant Rating Agency was prepared to consult with the Transaction

Agent this opinion is based on consultation with such Rating Agency), such amendment would not cause the ratings of the Existing Issuer Bonds to be downgraded below the relevant ratings set out in the definition of Rating Requirement by such Rating Agency.

- (x) by the deletion of Clause 6 and its replacement with the following words: "6 (*Deleted*)";
- (y) by the deletion of Clause 7.1 (*Waiver*) in its entirety and its replacement with the following new Clause 7.1:

"7.1 Waiver

Subject to Conditions 11 (*Trustee and Paying Agents*) and 12 (*Meetings of Noteholders; Modification and Waiver; Substitution*) and the provisions of the Common Terms Agreement and the STID, the Trustee may, without the consent or sanction of the Noteholders or the Couponholders and without prejudice to its rights in respect of any subsequent breach, Event of Default or Potential Event of Default, from time to time and at any time but only if and in so far as in its opinion the interests of the Noteholders shall not be materially prejudiced thereby, waive or authorise any breach or proposed breach by the Issuer or any Guarantor of any of the covenants or provisions contained in the Conditions, this Trust Deed or any Finance Document or determine that any Event of Default or Potential Event of Default shall not be treated as such for the purposes of this Trust Deed provided always that the Trustee shall not exercise any powers conferred on it by this Clause 7.1 in contravention of any express direction given by Extraordinary Resolution in accordance with Condition 12(b) (*Meetings of Noteholders; Modifications and Waiver; Substitution – Meetings of Noteholders*) but no such direction shall affect any waiver, authorisation or determination previously given or made. Any such waiver, authorisation or determination may be given or made on such terms and subject to such conditions (if any) as the Trustee may determine and shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter.";

- (z) by the deletion of Clause 7.2 (*Modifications*) in its entirety and its replacement with the following new Clause 7.2:

"7.2 Modifications

Subject to Conditions 11 (*Trustee and Paying Agents*) and 12 (*Meetings of Noteholders; Modification and Waiver; Substitution*) and, in respect of the Common Documents, clause 8 (*Modification, Consents and Waivers*) of the STID, the Trustee may and, in respect of sub-clause 7.2.3 only, shall without the consent or sanction of the Noteholders or the Couponholders, at any time and from time to time concur with the Issuer or any other relevant parties in making any:

7.2.1 modification to the Conditions, this Trust Deed or any Finance Document which in the opinion of the Trustee it may be proper to make provided that the Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Noteholders, or

7.2.2 modification to the Conditions, this Trust Deed or any Finance Document if in the opinion of the Trustee such modification is of a formal, minor or technical nature or is made to correct a manifest error, or

7.2.3 modification to the Trust Deed (including the Conditions), the Agency Agreement and the CP Agreement, provided that:

(i) the Issuer shall have provided a certificate signed by two Directors of the Issuer certifying to the Trustee that such modification, amendment and/or supplement is required for such purpose;

(ii) the Trustee is provided with confirmation, whether directly or indirectly, from the Rating Agencies that such modification, amendment and/or supplement will not cause a downgrade to the then current credit rating of the Senior Debt by any of the Rating Agencies (provided further that in circumstances where a Rating Agency is not willing to issue a rating affirmation due to its then prevailing policy regarding the issue of rating affirmations, AWL (in its capacity as Transaction Agent) has certified in writing to the Trustee that, in its opinion (and where the relevant Rating Agency was prepared to consult with AWL (in its capacity as Transaction Agent) this opinion is based on consultation with such Rating Agency), such modification, amendment and/or supplement would not cause a downgrade to the then current credit ratings of the Senior Debt by such Rating Agency);

(iii) each party to the Trust Deed and the Agency Agreement shall have consented to such amendments to the Trust Deed, the Agency Agreement and the CP Agreement and/or any amendment or supplement to the Master Definitions Agreement;

(iv) the requested modification, amendment or supplement does not (in the sole opinion of the Trustee) impose any additional obligations or liabilities on the Trustee; and provided further that following the implementation of such modifications, amendments and/or supplements the Issuer shall promptly notify the Noteholders thereof.

Any such modification may be made on such terms and subject to such conditions (if any) as the Trustee may determine, and shall be binding upon the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter. For the avoidance of doubt, an amendment of the kind contemplates in Clause 5.2 (Financial Ratios) of this Trust Deed will not require the consent or agreement of the Trustee";

- (aa) by the deletion of Clause 7.3 (*Substitution of the Issuer*) and its replacement by the following new Clause 7.3:

"7.3. Substitution

Subject to the provisions of the STID, the Trustee may, without the consent of the Noteholders and Couponholders, agree to the substitution of any other company (the "**Substituted Issuer**") in place of the Issuer as principal debtor under this Trust Deed, so long as:

- 7.3.1 a trust deed is executed or some other written form of undertaking is given by the Substituted Issuer to the Trustee, in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Finance Documents, this Trust Deed, the Notes, Receipts and Coupons with any consequential amendments which the Trustee may deem appropriate as fully as if the Substituted Issuer had been named in this Trust Deed and on the Notes, the Receipts, the Coupons and in the Finance Documents as the principal debtor in place of the Issuer or any previous Substituted Issuer (as applicable) under this Clause 7.3;
- 7.3.2 the Issuer, the Substituted Issuer and the Guarantors execute such other deeds, documents and instruments (if any) as the Trustee may require in order that the substitution is fully effective and that the requirement set out in sub-clause 7.3.3 below in respect of the Guarantee relating to the Notes is met and comply with such other requirements as the Trustee may direct in the interests of the Noteholders and the Couponholders;
- 7.3.3 the obligations of the Substituted Issuer under the Notes continue to be irrevocably and unconditionally guaranteed by each Guarantor;
- 7.3.4 (if all or substantially all the assets of the Issuer or any previous Substituted Issuer (as applicable) are transferred to the Substituted Issuer) the Substituted Issuer acquires the Issuer's or any previous Substituted Issuer's (as applicable) equity of redemption (other than the undertaking of the Issuer or any previous Substituted Issuer (as applicable)), becomes a party to all the Finance Documents to which the Issuer or any previous Substituted Issuer (as applicable) is a party, acknowledges the Security and the other matters created and effected in respect thereof pursuant to this Trust Deed and the Security Documents and takes all such action as the Security Trustee may require so that the Security Assets continue to be subject to the Security and the other matters created by the Substituted Issuer and otherwise effected or maintained in all respects corresponding to those previously subsisting on the part of the Issuer or such previous Substituted Issuer (as applicable);

- 7.3.5 (unless all or substantially all of the assets of the Issuer or any previous Substituted Issuer are transferred to the Substituted Issuer) an unconditional and irrevocable guarantee secured on the Security Assets in form and substance satisfactory to the Trustee is given by the Issuer or any previous Substituted Issuer (as applicable) of the obligations of the Substituted Issuer under this Trust Deed and the Finance Documents;
- 7.3.6 the Substituted Issuer is a single purpose company similar to, and with like constitution as, and having substantially the same restrictions and prohibitions on its activities and operations as the Issuer or any previous Substituted Issuer (as applicable), and satisfies the criteria for a single purpose company established from time to time by the Rating Agencies;
- 7.3.7 the Trustee is satisfied that (i) the Substituted Issuer has obtained all governmental and regulatory approvals and consents necessary for its assumption of liability as principal debtor under this Trust Deed and in respect of the Notes, the Receipts, the Coupons and the Finance Documents in place of the Issuer or any previous Substituted Issuer (as applicable) and (ii) such approvals and consents are at the time of substitution in full force and effect;
- 7.3.8 each of the Rating Agencies have confirmed in writing to the Trustee that the substitution of the Substituted Issuer will not result in a downgrading of the then current credit rating of such Rating Agencies applicable to the Notes issued by such Substituted Issuer (**provided that** in circumstances where a Rating Agency is not willing to confirm in writing or to issue a rating affirmation due to its then prevailing policy regarding the issue of rating affirmations, AWL (in its capacity as Transaction Agent) has certified in writing to the Trustee that, in its opinion (and where the relevant Rating Agency was prepared to consult with AWL (in its capacity as Transaction Agent) this opinion is based on consultation with such Rating Agency), such substitution of the Substituted Issuer would not cause a downgrade to the then current credit ratings of such Rating Agency applicable to the Notes, in each case, issued by such Substituted Issuer); and
- 7.3.9 the Trustee is provided with such legal opinions as it may require in respect of such substitution in form and substance satisfactory to it.

The Trustee shall be entitled to refuse to approve any Substituted Issuer if, pursuant to the law of the jurisdiction of incorporation of the Substituted Issuer, the assumption by the Substituted Issuer of its obligations hereunder imposes responsibilities on the Trustee over and above those which have been assumed under this Trust Deed.

If any two Directors of the Substituted Issuer certify that immediately prior to the assumption of its obligations as Substituted Issuer under this Trust Deed the Substituted Issuer is solvent after taking account of all prospective and contingent liabilities resulting from its becoming the Substituted Issuer, the Trustee need not have regard to the financial condition, profits or prospects of the Substituted Issuer or compare the same with those of the Issuer or any previous Substituted Issuer (as applicable) under this Clause 7.3.

In connection with any proposed substitution, the Trustee shall not have regard to, or be in any way liable for, the consequences of such substitution for individual Noteholders or Couponholders or other Secured Creditors resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of any particular territory. Save as provided in the Finance Documents, no Noteholder or Couponholder or other Secured Creditors shall, in connection with any such substitution, be entitled to claim from the Issuer or any previous Substituted Issuer (as applicable) any indemnification or payment in respect of any tax arising directly as a consequence of any such substitution in respect of individual Noteholders or Couponholders or other Secured Creditor.";

- (bb) by the deletion of Clause 7.4 (*Substitution of the Guarantor*) and its replacement by the following new Clause 7.4;

"7.4 New Guarantors

- 7.4.1 If the Issuer wishes any person who is a Permitted Subsidiary to become a Guarantor under this Trust Deed, the Issuer shall notify the Trustee in writing.
- 7.4.2 On the relevant Accession Date, the Issuer and the proposed Guarantor shall deliver to the Trustee, an accession memorandum (in or substantially in the form set out in the Schedule 6 (Form of Accession Memorandum - Guarantor) to this Trust Deed which, for the purposes of this Clause 7.4 shall be an "Accession Memorandum") executed by the proposed Guarantor, together with a deed of accession substantially in the form set out in Schedule 6 to the Security Agreement executed in accordance with the terms of the Security Agreement (the "Security Accession Memorandum"), supported by a legal opinion as to due incorporation, capacity, due authorisation and the legal, valid and binding effect of the Accession Memorandum and the Security Accession Memorandum. The Trustee shall promptly execute the Accession Memorandum on such Accession Date.
- 7.4.3 Promptly following the execution, the Trustee of a duly completed and executed Accession Memorandum and Security Accession Memorandum in respect of a proposed Guarantor, the Issuer shall give notice thereof to the existing Guarantors, the Security Trustee and the Noteholders.

7.4.4 It is hereby agreed by the parties to this Trust Deed that any such Accession Memorandum delivered pursuant to Clause 7.4.2 shall take effect upon delivery to the Trustee. The Trustee shall not be responsible for reviewing the terms of such accession nor for considering the relationship between the acceding Guarantor and any existing Guarantor.

7.4.5 If the Issuer ceases to be under any actual or contingent liability to any existing Guarantor under any Finance Documents and if such Guarantor has no outstanding liabilities under any Finance Document, such Guarantor shall cease to be a Guarantor under this Trust Deed."

(cc) by the deletion of Clause 8 (Securitisation Event Covenant) in its entirety and its replacement by the following words: "8 [intentionally left blank]";

(dd) by the deletion of Clauses 9.1 and 9.2 of the Original Trust Deed in their entirety and their replacement by the following:

"9.1 Enforcement action

Enforcement action in respect of the Notes shall only be taken in accordance with Conditions 8 (*Events of Default*) and 14 (*Enforcement*)."

9.2 Events of Default

The Events of Default and the rights and remedies of the Trustee and the rights and duties of the Noteholders and Couponholders as to recovery of amounts owing on the Notes and Coupons are set out in the Common Terms Agreement.";

(ee) by the deletion of Clause 10.1 of the Original Trust Deed in its entirety and its replacement by the following:

"10.1 Application of Moneys

All moneys received by the Trustee under this Trust Deed from, or on behalf of, the Issuer or, as the case may be, the Guarantors shall be held by the Trustee on trust for the Security Trustee to apply in accordance with Schedule 10 (*Cash Management*) to the Common Terms Agreement, and, without prejudice to the provisions of this Clause 10.1, if the Trustee holds any moneys which represent principal or interest in respect of Notes or Coupons which have become void under the Conditions, the Trustee shall hold such moneys on the above trusts.";

(ff) by the deletion of the following words "(i) a certificate of the Auditors that in their opinion a subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary; and (ii)";

(gg) by the deletion of Clause 11.1.3 of the Original Trust Deed in its entirety and its replacement with the following:

"11.1.3 Exercise of rights by Trustee

Subject as provided in the Conditions and elsewhere in this Trust Deed, the Trustee will exercise its rights under, or in relation to, the Trust Deed or the Conditions in accordance with the directions of the relevant Noteholders, but the Trustee shall not be bound as against the Noteholders to take any such action unless it has (a) (in respect of the matters set out in Condition 8 (*Events of Default*) and Condition 12(a) (*Decisions of the Majority Creditors, STID Matters and STID Direct Voting Matters*) only) been so requested in writing by the holders of at least 25 per cent. in nominal amount of the Notes Outstanding; or (b) been so directed by an Extraordinary Resolution; and (ii) been indemnified and/or furnished with security and/or prefunded to its satisfaction.";

- (hh) by the deletion of Clause 11.1.4 of the Original Trust Deed in its entirety and its replacement with the following:

"11.1.4 Decisions under STID binding on all Noteholders

Subject to the provisions of the STID and the Entrenched Rights and Reserved Matters of the Trustee and the Noteholders, decisions of the Majority Creditors (provided that the relevant Quorum Requirement has been met) and (in a Default Situation) decisions made pursuant to the Emergency Instruction Procedure will bind the Trustee and the Noteholders in all circumstances;"

- (ii) by the addition of the words "Subject to the STID and Condition 11(a)," before words "whenever in this Trust Deed the Trustee is required" in Clause 11.1.6 of the Original Trust Deed;
- (jj) by the deletion of Clause 11.1.10 of the Original Trust deed in its entirety;
- (kk) by the deletion of words "Subject to Clause 8 (*Securitisation Event Covenant*)," in the first line of Clause 11.2.3 of the Original Trust Deed;
- (ll) Clause 14.1.1 shall be deleted in its entirety and replaced with the following:

"14.1.1 Issuer and Guarantors: if to the Issuer and/or any Guarantor, to it at:

c/o Affinity Water Limited

Tamblin Way
Hatfield
Hertfordshire
AL10 9EZ
United Kingdom

Attention: Company Secretary
Email: tim.monod@affinitywater.co.uk
(with, in the case of any notice or demand to be given to, made or served on the Issuer, copies to the Guarantors);

- (mm) Clause 14.1.2 shall be deleted in its entirety and replaced with the following:

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB

Attention: Managing Director (TSS-SFS)
Facsimile No: +44(0)20 7547 5919
Email: abs.mbs.london@list.db.com

- (nn) Clause 14.1.3 shall be deleted in its entirety;
(oo) Clause 14.2 shall be deleted in its entirety and replaced with the following:

"14.2 Effectiveness

Every notice or other communication sent in accordance with Clause 14.1 shall be effective as follows:

14.2.1 if sent by post, three days in the case of inland post or seven days in the case of overseas post after dispatch; and

14.2.2 if sent by electronic communication, one day after it was sent.";

- (pp) by the addition of new Clause 16 (and the subsequent re-numbering of the following clauses) as follows:

"16. **Non-Petition**

Neither the Trustee nor the Noteholders may institute against, or join any person in instituting against, the Issuer any bankruptcy, winding up, reorganisation, arrangement, insolvency or liquidation proceeding (except for the appointment of a receiver and manager pursuant to the terms of the Security Agreement and subject to the STID) or other proceeding under any similar law for so long as any Notes are outstanding or for two years and a day after the Maturity Date on which the Notes are due to mature. This Clause 16 shall survive any termination of this Trust Deed.";

- (qq) by the replacement of the words "Reserved Matters" with the words "Basic Terms Modification" in Schedule 3;
(rr) by the deletion of the words "and 7.4" in the first line and the words "or the substitution of any person for the Guarantor as guarantor under the Guarantee of the Notes" in paragraph 17(d) of Schedule 3;
(ss) by the addition of the following new Schedule after Schedule 4 to the Original Trust Deed:

"SCHEDULE 5

**PROVISIONS FOR VOTING IN RESPECT OF STID DIRECT
VOTING MATTERS**

1. **DEFINITIONS AND INTERPRETATIONS**

- 1.1 Defined terms and expressions used in the STID and the Master Definitions Agreement shall have the same meaning where used in this Schedule 5. In addition, the following expressions shall have the following meaning where used herein:

"**24 hours**" means a period of 24 hours including all or part of a day (disregarding for this purpose the Voting Date) upon which banks are open for business in both London and in each of the places where the Paying Agents have their specified offices and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid;

"**Block Voting Instruction**" means a document in the English language issued by a Paying Agent:

- (a) certifying that the Deposited Notes have been deposited with such Paying Agent (or to its order at a bank or other depository) or blocked in an account with a clearing system and will not be released until the earlier of:
 - (i) close of business (London time) on the Voting Date; and
 - (ii) the surrender to such Paying Agent, not less than 24 hours before the Voting Date of the receipt for the Deposited Notes and notification thereof by such Paying Agent to the Trustee;
- (b) certifying that the depositor of each Deposited Note or a duly authorised person on its behalf has instructed the relevant Paying Agent that the Votes attributable to such Deposited Note are to be cast in a particular way on a STID Direct Voting Matter and that, during the period of 24 hours prior to the Voting Date, such instructions may not be amended or revoked;
- (c) listing the aggregate principal amount and (if in definitive form) the serial numbers of the Deposited Notes, distinguishing between those in respect of which instructions have been given to Vote for, or against, such STID Direct Voting Matter; and
- (d) authorising the Trustee to vote in respect of the Deposited Notes in connection with such STID Direct Voting Matter in accordance with such instructions and the provisions of this Schedule 5; and

"**Deposited Notes**" means the Notes which have been deposited with a Paying Agent (or to its order at a bank or other depository) or blocked in an account with a clearing system, for the purposes of the issuance of a Block Voting Instruction.

"**Notes**" means the notes held by a Qualifying Existing Bondholder;

"**Qualifying Existing Bondholder**" means, for so long as Qualifying Class A Debt remains outstanding, the holders of the Existing Issuer;

"**Vote**" means an instruction from a Qualifying Existing Bondholder to the Trustee to vote on its behalf in respect of a STID Direct Voting Matter, such instructions to be given in accordance with this Schedule 5 and "Voting" shall be construed accordingly; and

"**Voting Date**" means in respect of a Decision Period, the last day of the relevant Decision Period as determined in accordance with the STID.

2. **STID DIRECT VOTING MATTERS**

- 2.1 On receipt of a STID Matter that gives rise to an Entrenched Right of the Noteholders, the Trustee shall forthwith (or, to the extent that the Trustee has discretion pursuant to Clauses 7.1 (*Waiver*) or 7.2 (*Modifications*) of the Trust Deed to vote on such STID Matter without convening a meeting, may), in accordance with the provisions of Schedule 4, convene a meeting of the holders of Notes then outstanding and affected by such Entrenched Right. The Trustee shall notify the Security Trustee in writing of whether or not the holders of the Notes affected by such Entrenched Right have passed an Extraordinary Resolution voting against the relevant STID Matter for the purposes of Part A (*Entrenched Rights of the Class A Creditors*) and, if applicable Part B (*Entrenched Rights of Class B Creditors*) of Schedule 2 (*Entrenched Rights*) to the STID.
- 2.2 Subject to paragraph 2.1 above, on receipt of a STID Direct Voting Matter from the Security Trustee, the Trustee shall promptly send a copy of such STID Direct Voting Matter to the Qualifying Existing Bondholders in accordance with Condition 16 (*Notices*). If the Issuer (or the Transaction Agent on its behalf) has designated an electronic website for such purpose in accordance with paragraph 9 (*Electronic Form and Use of Websites*) of Part 1 (*Information Covenants*) of Schedule 4 (*Covenants*) to the Common Terms Agreement (such website to contain appropriate Noteholder notices and acknowledgements as may be required by applicable laws), the Issuer shall promptly post a copy of such STID Direct Voting Matter to such website.
- 2.3 Each Qualifying Existing Bondholder may only vote on a STID Direct Voting Matter by way of Block Voting Instruction. Subject as provided in clause 11.3 (*Physical Meetings*) of the STID, no physical

meetings of Qualifying Existing Bondholders will be held in respect of any Vote.

- 2.4 For the purposes of determining the Votes cast on a STID Direct Voting Matter by a Qualifying Existing Bondholder, each Qualifying Existing Bondholder shall have one vote in respect of each £1 (or its equivalent expressed in sterling on the basis of the Exchange Rate) of Principal Amount Outstanding of Notes held or represented by it.
- 2.5 Each Qualifying Existing Bondholder must vote on or prior to close of business (London time) on the Voting Date.
- 2.6 The Trustee shall vote as the Class A DIG Representative or, as the case may be, the Class B DIG Representative of the Qualifying Existing Bondholders in respect of a STID Direct Voting Matter by promptly notifying the Security Trustee, in accordance with the STID, of all Votes received by it from Qualifying Existing Bondholders on or prior to the Voting Date.
- 2.7 Any STID Direct Voting Matter duly approved in accordance with the STID shall be binding on all Noteholders and Couponholders (subject as provided in clause 8.7 (*Procedure for Discretion Matters*) of the STID). The Trustee shall, following receipt from the Security Trustee of the result of any vote in respect of a STID Direct Voting Matter, promptly notify the Noteholders in accordance with Condition 16 (Notices).

3. ISSUE OF BLOCK VOTING INSTRUCTIONS

Any Noteholder may require any Paying Agent to issue a Block Voting Instruction by depositing the relevant Note with such Paying Agent or arranging for such Note to be (to its satisfaction) held to its order or under its control or blocked in an account with a clearing system not later than 24 hours before the Voting Date. A Block Voting Instruction shall be valid until the release of the Deposited Notes to which it relates. So long as a Block Voting Instruction is valid, the Trustee shall be deemed to be the holder of the Notes to which it relates for all purposes in connection with voting in respect of a STID Direct Voting Matter.

4. REFERENCES TO DEPOSIT/RELEASE OR BLOCKING/RELEASE OF NOTES

Where the Notes are represented by a Temporary Global Note and/or a Permanent Global Note or are held in definitive form within a clearing system, references to the deposit, or release, of the Notes shall be construed in accordance with the usual practices (including blocking the relevant account) of such clearing system.

5. VALIDITY OF BLOCK VOTING INSTRUCTIONS AND FORMS OF PROXY

A Block Voting Instruction in relation to the Notes shall be valid only if it is deposited at the specified office of the relevant Paying Agent or at some other place approved by the Trustee, at least 24 hours before the Voting Date. The Trustee shall not be obliged to investigate the validity of any Block Voting Instruction.

6. **VALIDITY OF VOTES BY THE TRUSTEE**

Any vote cast by the Trustee as Class A DIG Representative of the Qualifying Existing Bondholders in accordance with the relevant Block Voting Instruction in relation to the Notes shall be valid even if such Block Voting Instruction has been amended, revoked or re-issued, **provided that** the Trustee has not been notified in writing of such amendment, revocation or re-issue by the time which is 24 hours before the Voting Date."

- (tt) by the addition of the following new Schedule after Schedule 5 as outlined in (ll) of this Trust Deed:

"SCHEDULE 6

FORM OF ACCESSION MEMORANDUM

THIS DEED dated [*date*] is supplemental to the trust deed (the "**Trust Deed**") dated [*•*] and made between Affinity Water Finance (2004) Limited as Issuer, Affinity Water Programme Finance Limited, Affinity Water Holdings Limited and Affinity Water Limited as Guarantors and Deutsche Trustee Company Limited as Trustee (as the same may from time to time be modified, restated, novated and/or supplemented).

Words and expressions defined in the Trust Deed have the same meanings when used in this Deed.

[*insert name of acceding Guarantor*] (the "**Acceding Guarantor**") of [*insert address of Guarantor*] hereby agrees with each other person who is or who becomes a party to the Trust Deed that, with effect from the date on which the provisions of Clause 7.7 (*New Guarantors*) of the Trust Deed have been complied with, the Acceding Guarantor will become a party to and be bound by and benefit from the Trust Deed and the supplemental deed delivered with this Deed as a Guarantor.

The address for notices to the acceding Guarantor is as follows:

[*insert address*]

This Deed and all non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, English law.

[*insert name of acceding Guarantor*] has executed this Deed as a deed and intends to deliver and does deliver this Deed on the date stated above.

EXECUTED as a **DEED** by
[*Acceding Guarantor*]

.....
Director

.....
Director / Secretary/Witness
[Details of witness]".

3. **RESIGNATION AND APPOINTMENT**

3.1 Pursuant to the Noteholders Resolution:

3.1.1 the Original Trustee is hereby removed by the Issuer immediately following the Securitisation Modifications taking effect (the "**Effective Time**"); and

3.1.2 the New Trustee is hereby appointed by the Issuer subject to the removal of the Original Trustee pursuant to sub-Clause 3.1.1 above and with effect from the Effective Time and the New Trustee hereby agrees to act as trustee and agrees to be bound by the terms of the Trust Deed and the Paying Agency Agreement as if it had originally been a party thereto as the Trustee, and all references to "Trustee" in the Trust Deed and Paying Agency Agreement shall, subject as provided in Clause 3.5 below be construed with effect from the Effective Time as references to the New Trustee.

3.2 Each of the Issuer and the Guarantors hereby acknowledges the Original Trustee's removal and the new Trustee's appointment.

3.3 The terms of the Trust Deed and the Paying Agency Agreement (including all indemnities) shall continue to benefit the Original Trustee in respect to any action taken or omitted by it under the Trust Deed and/or the Paying Agency Agreement prior to the Effective Time.

3.4 With effect from the Effective Time, the Original Trustee shall have no further liabilities or obligations to any other party to the Trust Deed or the Paying Agency Agreement or to the Noteholders other than those arising prior to the Effective Time (subject to and in accordance with its liabilities and obligations under the Trust Deed at that time).

3.5 In no circumstances shall the New Trustee (i) be liable for or assume in any way any obligations or liability of the Original Trustee relating to or arising out of any matters or events occurring before the Effective Time or otherwise or (ii) be liable for any act or omission of the Original Trustee at any time prior to the Effective Time or otherwise.

- 3.6 The parties to this Deed acknowledge and agree that pursuant to this Deed, Section 40 of the Trustee Act 1925 and all relevant powers conferred by the Trustee Act 1925 and any other applicable law, as of the Effective Time, any and all rights and obligations of the Original Trustee in its capacity as trustee under the Trust Deed and Paying Agency Agreement (including the benefit of clause 2 (*Covenant to repay*) and clause 4 (*Guarantee and Indemnity*) of the Trust Deed), and all other property held on trust by the Original Trustee pursuant to the Trust Deed shall be transferred to and assumed by and held on Trust in accordance with the Trust Deed by the New Trustee as Trustee.
- 3.7 If required, the Original Trustee shall, at the expense of the Issuer, provide reasonable assistance with the transfer of any records relating to the Notes to the New Trustee.

4. **COUNTERPARTS**

This Deed of Variation may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Deed of Variation.

5. **GOVERNING LAW**

This Deed of Variation and all non-contractual obligations arising out of or in connection with it are governed by English law and clause 21 (*Enforcement*) of the Common Terms Agreement is incorporated in this Deed of Variation as if the references to "Agreement" in that clause were references to Deed of Variation.

6. **EXECUTION**

The parties have executed this Deed of Variation as a deed and intend to deliver and do deliver this Deed of Variation on the date stated at the beginning of this Deed of Variation first above written.


SIGNATORIES

As Issuer

EXECUTED as a deed by)
AFFINITY WATER FINANCE (2004) LIMITED)

Richard Bienfait
Director

By: 
Director

in the presence of: 

Name:
Address:
Occupation: **Tim Monod
Company Secretary**

Tamblin Way,
Hatfield,
Hertfordshire
AL10 9EZ

As Guarantors

EXECUTED as a deed by)
AFFINITY WATER)
HOLDINGS LIMITED)

Richard Bienfait
Director

By: 
Director

Name: 


Address:
Occupation: **Tim Monod
Company Secretary**

Tamblin Way,
Hatfield,
Hertfordshire
AL10 9EZ

EXECUTED as a deed by)
AFFINITY WATER LIMITED)

Richard Bienfait
Director

By: 
Director

in the presence of: 

Name:
Address:
Occupation: **Tim Monod
Company Secretary**

Tamblin Way,
Hatfield,
Hertfordshire
AL10 9EZ

EXECUTED as a deed by)
AFFINITY WATER PROGRAMME)
FINANCE LIMITED)

By:
Director

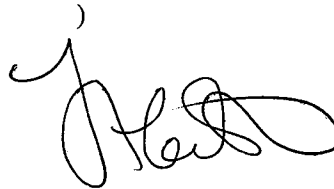


Richard Bienfait
Director

As Original Trustee

Executed as a deed by
CITICORP TRUSTEE COMPANY LIMITED
By a director:

In the presence of: MARUN ZANADZKI
TRAINEE SOLICITOR

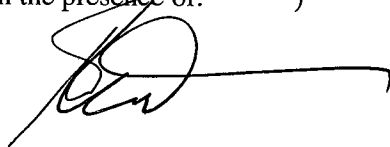


CLIFFORD CHANCE LLP
10 Upper Bank Street
London E14 5JJ

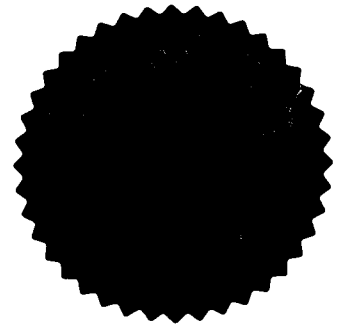
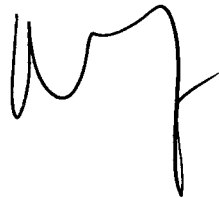
As New Trustee

The COMMON SEAL of)
DEUTSCHE TRUSTEE COMPANY LIMITED)
was hereto affixed in the presence of:)

Associate Director



Associate Director



SCHEDULE 1
TERMS AND CONDITIONS OF THE
£200,000,000 GUARANTEED NOTES DUE 2026
(PAGINATED SEPARATELY)

The rest of this page is intentionally left blank - please see overleaf.

**THREE VALLEYS WATER FINANCE PLC
AS ISSUER**

**THREE VALLEYS WATER PLC
AS GUARANTOR**

**CITICORP TRUSTEE COMPANY LIMITED
AS TRUSTEE**

**AMENDMENT AND RESTATEMENT DEED
RELATING TO THE
TRUST DEED
RELATING TO
£200,000,000 5.875 PER CENT. GUARANTEED NOTES
DUE 2026 (WITH AUTHORITY TO ISSUE FURTHER
NOTES)**

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THIS AMENDMENT AND RESTATEMENT DEED is made on [•]:

BETWEEN

- (1) **THREE VALLEYS WATER FINANCE PLC** (the "Issuer");
- (2) **THREE VALLEYS WATER PLC** (the "Guarantor"); and
- (3) **CITICORP TRUSTEE COMPANY LIMITED** (the "Trustee", which expression includes, where the context admits, all persons for the time being the trustee or trustees of this Amendment and Restatement Deed).

WHEREAS:

- (A) The parties to this Amendment and Restatement Deed entered into a trust deed dated 13 July 2004 (the "**Trust Deed**").
- (B) The terms and conditions in Part B of Schedule 2 to the Trust Deed were intended to be identical to the terms and conditions in the Offering Circular but the version of the terms and conditions in the executed Trust Deed is incorrect.
- (C) Pursuant to Clause 7.2 of the Trust Deed, the Trustee now concurs with the Issuer and the Guarantor to modify the Trust Deed in order to correct this manifest error.
- (D) This Amendment and Restatement Deed amends and restates the Trust Deed in accordance with the provisions set out below.

IT IS AGREED as follows.

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

- 1.1.1 Unless otherwise defined in this Amendment and Restatement Deed or the context requires otherwise, words and expressions used in this Amendment and Restatement Deed have the meanings and constructions ascribed to them in the trust deed dated 13 July 2004 between the parties to this Amendment and Restatement Deed (the "**Trust Deed**").
- 1.1.2 The provisions contained in Clause 1.2 (*Principles of Interpretation*) to the Trust Deed apply to this Amendment and Restatement Deed as if set out in full in this Amendment and Restatement Deed.

2. AMENDMENT AND RESTATEMENT

With effect from (and including) the 13 July 2004, the parties to this Amendment and Restatement Deed agree that the Trust Deed shall be read and construed as though it had been duly executed in the form set out in the Annex to this Amendment and Restatement Deed.

3. COUNTERPARTS

This Amendment and Restatement Deed may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

4. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not party to this Amendment and Restatement Deed shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Amendment and Restatement Deed. This clause does not affect the right or remedy of any person which exists or is available otherwise than pursuant to that Act.

5. GOVERNING LAW AND JURISDICTION

5.1 This Amendment and Restatement Deed shall be governed by, and construed in accordance with, the laws of England.

5.2 Each of the parties hereto irrevocably agrees for the benefit of each other party that the courts of England shall have exclusive jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Amendment and Restatement Deed, and, for such purposes, irrevocably submits to the jurisdiction of such courts.

5.3 Each party hereto irrevocably waives any objection which it might now or hereafter have to the courts of England referred to above being nominated as the forum to hear and determine any suit, action or proceeding, and to settle any dispute, which may arise out of or in connection with this Amendment and Restatement Deed and agrees not to claim that any such court is not a convenient or appropriate forum.

IN WITNESS WHEREOF the undersigned have executed this Amendment and Restatement Deed as a deed the day and year first before written.

ANNEX

(1) THREE VALLEYS WATER FINANCE PLC

(2) CITICORP TRUSTEE COMPANY LIMITED

(3) THREE VALLEYS WATER PLC

**TRUST DEED
RELATING TO
£200,000,000 5.875 PER CENT. GUARANTEED NOTES
DUE 2026 (WITH AUTHORITY TO ISSUE FURTHER
NOTES)**

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THIS TRUST DEED is made on 13 July 2004

BETWEEN:

- (1) **THREE VALLEYS WATER FINANCE PLC** (the "**Issuer**");
- (2) **THREE VALLEYS WATER PLC** (the "**Guarantor**"); and
- (3) **CITICORP TRUSTEE COMPANY LIMITED** (the "**Trustee**", which expression includes, where the context admits, all persons for the time being the trustee or trustees of this Trust Deed).

WHEREAS

- (E) The Issuer has authorised the creation and issue of £200,000,000 in aggregate principal amount of 5.875 per cent. Guaranteed Notes due 2026 to be constituted in relation to this Trust Deed.
- (F) The Guarantor has authorised the giving of its guarantee in relation to these Notes.
- (G) The Trustee has agreed to act as trustee of this Trust Deed on the following terms and conditions.

NOW THIS DEED WITNESSES AND IT IS HEREBY DECLARED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Trust Deed the following expressions have the following meanings:

"**Appointee**" means any delegate, agent, nominee or custodian appointed pursuant to the provisions of this Trust Deed;

"**Appointment**" shall have the meaning given to such term in the Conditions;

"**Auditors**" means the auditors for the time being of the Issuer or, as the context may require, the Guarantor and, if there are joint auditors, means all or any one of such joint auditors or, in the event of any of them being unable or unwilling to carry out any action requested of them pursuant to this Trust Deed, means such other firm of chartered accountants in England as may be nominated in writing by the Trustee for the purpose;

"**Authorised Signatory**" means:

- (a) in relation to the Issuer, any director or any other person or persons notified to the Trustee by any director as being an Authorised Signatory pursuant to sub-clause 6.20 (*Authorised Signatories*); and

- (b) in relation to the Guarantor, any director of the Guarantor or any other person or persons notified to the Trustee by any director of the Guarantor as being an Authorised Signatory pursuant to sub-clause 6.20 (*Authorised Signatories*);

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme;

"**Conditions**" means, in relation to the Original Notes, the terms and conditions to be endorsed on the Original Notes, in the form or substantially in the form set out in Part B of Schedule 2, and, in relation to any Further Notes, the terms and conditions endorsed on the Notes in accordance with the supplemental deed relating thereto or substantially in the form set out or referred to in the supplemental deed relating thereto, as any of the same may from time to time be modified in accordance with this Trust Deed and any reference in this Trust Deed to a particular numbered Condition shall be construed in relation to the Original Notes accordingly and any reference in this Trust Deed to a particular numbered Condition in relation to any Further Notes shall be construed as a reference to the provision (if any) in the Conditions of such Further Notes which corresponds to the particular numbered Condition of the Original Notes;

"**Couponholder**" means the holder of a Coupon;

"**Coupons**" means the bearer interest coupons appertaining to the Notes or, as the context may require, a specific number thereof and includes any replacement Coupons issued pursuant to Condition 10 and, where the context so permits, the Talons;

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

"**Event of Default**" means any one of the circumstances described in Condition 8 but (in the case of any of the events described in paragraphs (b), (i) or (l) thereof in relation to the Issuer or Guarantor or in relation to a Principal Subsidiary in paragraphs (c), (d), (e), (f) or (g) thereof) only if such event is, pursuant to the provisions of Condition 8, certified by the Trustee to be materially prejudicial to the interests of Noteholders;

"**Extraordinary Resolution**" has the meaning set out in Schedule 3;

"**Further Notes**" means any bonds or notes of the Issuer constituted in relation to a deed supplemental to this Principal Trust Deed pursuant to Clause 2.3 (*Further Issues*) and for the time being outstanding or, as the context may require, a specific number thereof and includes any global bond, note or evidence of indebtedness which has not for the time being been exchanged for such bonds or notes and any replacement bonds or notes issued pursuant to Condition 10;

"**Global Notes**" means the Original Temporary Global Note and Original Permanent Global Note and any other global notes representing the Further Notes or any of them;

"**Liabilities**" means any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including

any value added tax or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis;

"**Noteholder**" means an Original Noteholder or holder of Further Notes;

"**Notes**" means the Original Notes and any Further Notes save that in Schedules 1 and 2 "**Notes**" means the Original Notes and any Further Notes forming a single issue therewith and the words "Coupons", "Noteholders" and Couponholders" where used therein shall be construed accordingly;

"**Original Coupons**" means the bearer interest coupons in or substantially in the form set out in Part C of Schedule 2 appertaining to the Original Notes and for the time being outstanding or as the context may require a specific number thereof and includes any replacement Original Coupons issued pursuant to Condition 10;

"**Original Couponholder**" and (in relation to a Coupon) "**holder**" means the bearer of an Original Coupon;

"**Original Global Note**" means the Original Global Note to be issued pursuant to Clause 3.1 (*Global Notes*) in the form or substantially in the form set out in Schedule 1;

"**Original Noteholder**" and (in relation to a Note) "**holder**" means the bearer of an Original Note;

"**Original Notes**" means the bearer notes in the denominations of £1,000, £10,000 and £100,000 each comprising the £200,000,000 5.875 per cent. Guaranteed Notes due 2026 constituted in relation to this Trust Deed, in or substantially in the form set out in Schedules 1 and 2, and for the time being outstanding or, as the case may be, a specific number thereof and includes any replacement Original Notes issued pursuant to Condition 10 and (except for the purposes of Clause 3.1 (*Global Notes*) and 3.3 (*Signature*)) the Original Global Note for so long as it has not been exchanged in accordance with the terms thereof;

"**Original Permanent Global Note**" means the Original Permanent Global Note to be issued pursuant to Clause 3.1 (*Global Notes*) in the form or substantially in the form set out in Part B of Schedule 1;

"**Original Temporary Global Note**" means the Original Temporary Global Note to be issued pursuant to Clause 3.1 (*Global Notes*) in the form or substantially in the form set out in Part A of Schedule 1;

"**Outstanding**" means, in relation to the Notes, all the Notes other than:

- (a) those which have been redeemed in accordance with this Trust Deed;
- (b) those in respect of which the date for redemption in accordance with the provisions of the Conditions has occurred and for which the redemption moneys (including all interest accrued thereon to the date for such redemption)

have been duly paid to the Trustee or the Principal Paying Agent in the manner provided for in the Paying Agency Agreement (and, where appropriate, notice to that effect has been given to the relative Noteholders in accordance with Condition 5) and remain available for payment in accordance with the Conditions;

- (c) those which have been purchased and surrendered for cancellation as provided in Condition 5 and notice of the cancellation of which has been given to the Trustee;
- (d) those which have become void under Condition 9;
- (e) those mutilated or defaced Notes which have been surrendered or cancelled and in respect of which replacement Notes have been issued pursuant to Condition 10; or
- (f) (for the purpose only of ascertaining the amount of the Notes outstanding and without prejudice to the status for any other purpose of the relevant Notes) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 10;

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of Noteholders;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clauses 9.1 (*Legal Proceedings*) and 7.1 (*Waiver*), Conditions 8 and 12 and Schedule 3; and
- (iii) any discretion, power or authority, whether contained in this Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them;

those Notes (if any) which are for the time being held by any person (including but not limited to the Issuer, the Guarantor or any Subsidiary of either entity) for the benefit of the Issuer, the Guarantor or any Subsidiary of either entity shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

"Paying Agency Agreement" means, in relation to the Notes of any relevant series, the agreement appointing the initial Paying Agents in relation to such Notes and any other agreement for the time being in force appointing Successor paying agents in relation to such Notes, together with any agreement for the time being in force amending or modifying with the prior written approval of the Trustee any of the aforesaid agreements in relation to such Notes;

"Paying Agents" means, in relation to the Notes of any relevant series the several institutions (including, where the context permits, the Principal Paying Agent) at their respective Specified Offices initially appointed pursuant to the relative Paying Agency

Agreement and/or, if applicable, any Successor paying agents, in relation to such Notes at their respective Specified Offices;

"Permanent Global Note" means the Original Permanent Global Note and any other permanent global note representing the Further Notes or any of them;

"Potential Event of Default" means an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8 become an Event of Default;

"Principal Paying Agent" means, in relation to the Notes of any series, the institution at its Specified Office initially appointed as principal paying agent in relation to such Notes pursuant to the relative Paying Agency Agreement or, if applicable, any Successor principal paying agent in relation to such Notes at its Specified Office;

"Principal Subsidiary" means any Subsidiary of the Guarantor (other than the Issuer) (a) whose profits on ordinary activities before tax or whose net assets (in each case consolidated in respect of a Subsidiary which itself has Subsidiaries, and in each case attributable to the Guarantor) all as shown in the latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary represent 15 per cent. or more of the consolidated profits on ordinary activities before tax or as the case may be, consolidated net assets (in each case attributable to the shareholders of the Guarantor) of the Guarantor and its Subsidiaries (other than Excluded Subsidiaries) all as shown in the latest audited consolidated accounts of the Guarantor (as adjusted); or (b) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary shall be deemed to be a Principal Subsidiary under this sub-paragraph (b) upon publication of its next audited account. A report by the auditors for the time being of the Guarantor that in their opinion a Subsidiary is not or was or was not at any particular time a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Principal Trust Deed" means the Trust Deed constituting the Original Notes;

"Regulated Asset Value" shall have the meaning given to such term in the Conditions;

"Repay" shall include **"redeem"** and vice versa and **"repaid"**, **"repayable"**, **"repayment"**, **"redeemed"**, **"redeemable"** and **"redemption"** shall be construed accordingly;

"Securitisation" shall have the meaning given to such term in the Conditions;

"Specified Office" means, in relation to any Paying Agent, either the office identified with its name in the Conditions of the Notes of the relevant series or any other office notified to any relevant parties pursuant to the Paying Agency Agreement;

"**Subsidiary**" means a subsidiary within the meaning of section 736 of the Companies Act 1985;

"**Successor**" means, in relation to the Paying Agents, such other or further person, as may from time to time be appointed pursuant to the Paying Agency Agreement as a Paying Agent;

"**Talons**" means the talons appertaining to and exchangeable in accordance with the provisions herein contained for further coupons appertaining to the Notes and includes any replacement Talons issued pursuant to Condition 10, substantially in the form set out in Part D of Schedule 2 hereto;

"**Temporary Global Note**" means the Original Temporary Global Note and any other temporary global notes representing the Further Notes or any of them;

"**this Trust Deed**" means this Principal Trust Deed and the Schedules (as from time to time modified in accordance with the provisions contained herein) and (unless the context requires otherwise) includes any deed or other document executed in accordance with the provisions hereof (as from time to time modified as aforesaid) and expressed to be supplemental hereto;

"**Trustee Acts**" means both the Trustee Act 1925 and the Trustee Act 2000 of England and Wales; and

"**Written Resolution**" means a resolution in writing signed by or on behalf of all holders of Notes for the time being outstanding, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes.

1.2 Principles of interpretation

In this Trust Deed references to:

- 1.2.1 *Statutory modification*: a provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment;
- 1.2.2 *Additional amounts*: principal and/or interest in respect of the Notes shall be deemed also to include references to any additional amounts which may be payable under Condition 7;
- 1.2.3 *Tax*: costs, charges or expenses shall include any value added tax or similar tax charged or chargeable in respect thereof;
- 1.2.4 "**£**" and "**U.K. Sterling**" denote the lawful currency for the time being of the United Kingdom;

- 1.2.5 *Enforcement of rights:* an action, remedy or method of judicial proceedings for the enforcement of rights of creditors shall include, in respect of any jurisdiction other than England, references to such action, remedy or method of judicial proceedings for the enforcement of rights of creditors available or appropriate in such jurisdictions as shall most nearly approximate thereto;
- 1.2.6 *Clauses and Schedules:* a Schedule or a Clause or sub-clause, paragraph or sub-paragraph is, unless otherwise stated, to a schedule hereto or a clause or sub-clause, paragraph or sub-paragraph hereof respectively;
- 1.2.7 *Principal:* principal shall, when applicable, include premium;
- 1.2.8 *Clearing systems:* Euroclear and/or Clearstream, Luxembourg shall, wherever the context so admits, be deemed to include references to any additional or alternative clearing system approved by the Issuer, the Guarantor and the Trustee;
- 1.2.9 *Trust Corporation:* a trust corporation denotes a corporation entitled by rules made under the Public Trustee Act 1906 to act as a custodian trustee or entitled pursuant to any other legislation applicable to a trustee in any jurisdiction other than England to act as trustee and carry on trust business under the laws of the country of its incorporation;
- 1.2.10 *Gender:* words denoting the masculine gender shall include the feminine gender also, words denoting individuals shall include companies, corporations and partnerships and words importing the singular number only shall include the plural and in each case *vice versa*; and
- 1.2.11 "**person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

1.3 The Conditions

In this Trust Deed, unless the context requires or the same are otherwise defined, words and expressions defined in the Conditions and not otherwise defined herein shall have the same meaning in this Trust Deed.

1.4 Headings

The headings and sub-headings are for ease of reference only and shall not affect the construction of this Trust Deed.

1.5 The Schedules

The schedules are part of this Trust Deed and shall have effect accordingly.

2. COVENANT TO REPAY

2.1 Covenant to Repay

The Issuer covenants with the Trustee that it will, as and when the Original Notes or any of them become due to be redeemed or any principal on the Original Notes or any of them becomes due to be repaid in accordance with the Conditions, unconditionally pay or procure to be paid to or to the order of the Trustee in U.K. Sterling in London, in immediately available freely transferable funds, the principal amount of the Original Notes or any of them becoming due for redemption or repayment on that date and shall (subject to the provisions of the Conditions), until all such payments (both before and after judgment or other order) are duly made, unconditionally pay or procure to be paid to, or to the order of, the Trustee, as aforesaid on the dates provided for in the Conditions, interest on the principal amount of the Original Notes or any of them outstanding from time to time as set out in the Conditions *provided that*:

- 2.1.1 every payment of principal or interest in respect of the Original Notes or any of them made to the Principal Paying Agent in the manner provided in the Paying Agency Agreement shall satisfy, to the extent of such payment, the relevant covenant by the Issuer contained in this Clause except to the extent that there is default in the subsequent payment thereof to the Original Noteholders or Original Couponholders (as the case may be) in accordance with the Conditions;
- 2.1.2 if any payment of principal or interest in respect of the Original Notes or any of them is made after the due date, payment shall be deemed not to have been made until either the full amount is paid to the Original Noteholders or, if earlier, the seventh day after notice has been given to the Original Noteholders or Original Couponholders (as the case may be) in accordance with the Conditions that the full amount has been received by the Principal Paying Agent or the Trustee except, in the case of payment to the Principal Paying Agent, to the extent that there is failure in the subsequent payment to the Original Noteholders or Original Couponholders (as the case may be) under the Conditions; and
- 2.1.3 in any case where payment of the whole or any part of the principal amount due in respect of any Original Note is improperly withheld or refused upon due presentation (if so provided for in the Conditions) of the Original Note, interest shall accrue on the whole or such part of such principal amount from the date of such withholding or refusal until the date either on which such principal amount due is paid to the Original Noteholders or, if earlier, the seventh day after which notice is given to the Original Noteholders in accordance with the Conditions that the full amount payable in respect of the said principal amount is available for collection by the Original Noteholders provided that on further due presentation thereof (if so provided for in the Conditions) such payment is in fact made.

The Trustee will hold the benefit of this covenant and the covenant in Clause 5 (*Covenant to comply with Trust Deed and Schedules*) on trust for the Original Noteholders and Original Couponholders.

2.2 Following an Event of Default

At any time after any Event of Default or Potential Event of Default shall have occurred, the Trustee may:

2.2.1 by notice in writing to the Issuer, the Guarantor, the Principal Paying Agent and the other Paying Agents require the Principal Paying Agent and the other Paying Agents or any of them:

- (a) to act thereafter, until otherwise instructed by the Trustee, as Paying Agents of the Trustee under the provisions of this Trust Deed on the terms provided in the Paying Agency Agreement (with consequential amendments as necessary and save that the Trustee's liability under any provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agents shall be limited to amounts for the time being held by the Trustee on the trusts of this Trust Deed in relation to the Notes on the terms of this Trust Deed and available to the Trustee for such purpose) and thereafter to hold all Notes, Coupons and Talons and all sums, documents and records held by them in respect of Notes, Coupons and Talons on behalf of the Trustee; and/or
- (b) to deliver up all Notes, Coupons and Talons and all sums, documents and records held by them in respect of Notes, Coupons and Talons to the Trustee or as the Trustee shall direct in such notice *provided that* such notice shall be deemed not to apply to any document or record which the relevant Paying Agent is obliged not to release by any law or regulation; and

2.2.2 by notice in writing to the Issuer and the Guarantor require each of them to make all subsequent payments in respect of Notes and Coupons to, or to the order of, the Trustee and with effect from the issue of any such notice until such notice is withdrawn, sub-clause 2.1.1 of Clause 2.1 (*Covenant to Repay*) and (so far as it concerns payments by the Issuer or the Guarantor) Clause 10.4 (*Payment to Noteholders and Couponholders*) shall cease to have effect.

2.3 Further Issues

2.3.1 The Issuer shall be at liberty from time to time (but subject always to the provisions of this Trust Deed) without the consent of the Noteholders or the Couponholders to create and issue further notes or debt securities howsoever designated either ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so as to form a single series with the original Notes and/or Further Notes of any series or upon such terms as to

interest, conversion, redemption and otherwise as the Issuer may at the time of the issue thereof determine.

- 2.3.2 Any further notes or debt securities howsoever designated created and issued pursuant to the provisions of sub-clause 2.3.1 shall, if they are to form a single series with the Original Notes, and/or Further Notes of any series, be constituted in relation to a deed supplemental to this Principal Trust Deed and in any other case, if the Trustee so agrees, may be so constituted. In any such case, the Issuer and the Guarantor shall prior to the issue of any such further notes or bonds, execute and deliver to the Trustee a deed supplemental to this Principal Trust Deed (if applicable, duly stamped or denoted) and containing a covenant by the Issuer in the form *mutatis mutandis* of Clause 2.1 (*Covenant to repay*) of this Principal Trust Deed in relation to the principal and interest in respect of such further notes or debt securities howsoever designated and such other provisions (corresponding to any of the provisions contained in this Trust Deed) as the Trustee shall require.
- 2.3.3 A memorandum of every such supplemental deed shall be endorsed by the Trustee on this Principal Trust Deed and by the Issuer on the duplicate of this Principal Trust Deed.
- 2.3.4 Any Further Notes not forming a single series with the Original Notes or any other series of Further Notes shall form a separate series and accordingly, unless for any purpose the Trustee at its absolute discretion shall otherwise determine, all the provisions of this Trust Deed (other than Clauses 2.1 (*Covenant to Repay*) and 3.1 to 3.3 inclusive (*The Original Notes*) and Schedules 1 and 2) shall apply separately to each series of the Notes, and in this Trust Deed (other than such Clauses and Schedules) the expression "Notes" and "Noteholders", "Coupons" and "Couponholders" shall be construed accordingly.

3. THE ORIGINAL NOTES

3.1 Global Notes

- 3.1.1 The Notes will initially be represented by the Original Temporary Global Note in the principal amount of £200,000,000. Interests in the Original Temporary Global Note shall be exchangeable, in accordance with its terms, for interests in the Original Permanent Global Note.
- 3.1.2 The Original Permanent Global Note shall be exchangeable, in accordance with its terms, for Original Notes in definitive form.

3.2 The definitive Notes

The definitive Original Notes and the Original Coupons will be security printed in accordance with applicable legal and stock exchange requirements substantially in the forms set out in Schedule 2. The Original Notes will be endorsed with the Conditions.

3.3 Signature

The Original Global Notes, the Original Notes and the Original Coupons will be signed manually or in facsimile by a duly authorised person designated by the Issuer and, in the case of the Original Global Notes and the Original Notes, will be authenticated manually by or on behalf of the Principal Paying Agent. The Issuer may use the facsimile signature of a person who at the date of this Trust Deed is such a duly authorised person even if at the time of issue of any Original Notes and/or Coupons he no longer holds that office. Original Notes and Original Coupons so executed and authenticated will be binding and valid obligations of the Issuer.

3.4 Entitlement to treat holder as owner

The Issuer, the Guarantor, the Trustee and any Paying Agent may deem and treat the holder of any Note and any Coupon appertaining to the relevant Note as the absolute owner of such Note or such Coupon as the case may be, free of any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate holder of such Note (whether or not such Note or such Coupon shall be overdue and notwithstanding any notation of ownership or other writing thereon or any notice of previous loss or theft of such Note or Coupon) for all purposes and, except as ordered by a court of competent jurisdiction or as required by applicable law, the Issuer, the Guarantor, the Trustee and the Paying Agents shall not be affected by any notice to the contrary. All payments made to any such holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for the moneys payable upon the Notes and Coupons.

4. **GUARANTEE AND INDEMNITY**

4.1 Guarantee

The Guarantor unconditionally and irrevocably guarantees to the Trustee payment of all sums expressed to be payable by the Issuer under this Trust Deed or in respect of the Notes or Coupons, as and when the same becomes due and payable, whether at maturity, upon early redemption, upon acceleration or otherwise, according to the terms of this Trust Deed and the Notes and Coupons. In case of the failure of the Issuer to pay any such sum as and when the same shall become due and payable, the Guarantor hereby agrees to cause such payment to be made as and when the same becomes due and payable, whether at maturity, upon early redemption, upon acceleration or otherwise, as if such payment were made by the Issuer.

4.2 Guarantor as principal debtor

The Guarantor agrees, as an independent primary obligation, that it shall pay to the Trustee on demand sums sufficient to indemnify the Trustee and each Noteholder and Couponholder against any loss sustained by the Trustee or such Noteholder or Couponholder by reason of the non-payment as and when the same shall become due and payable of any sum expressed to be payable by the Issuer under this Trust Deed or in respect of the Notes, whether by reason of any of the obligations expressed to be

assumed by the Issuer in this Trust Deed or the Notes being or becoming void, voidable or unenforceable for any reason, whether or not known to the Trustee or such Noteholder or Couponholder or for any other reason whatsoever.

4.3 Unconditional payment

If the Issuer defaults in the payment of any sum expressed to be payable by the Issuer under this Trust Deed or in respect of the Notes or Coupons as and when the same shall become due and payable, the Guarantor shall forthwith unconditionally pay or procure to be paid to or to the order of the Trustee in U.K. Sterling in London in immediately available freely transferable funds the amount in respect of which such default has been made; *provided that* every payment of such amount made by the Guarantor to the Principal Paying Agent in the manner provided in the Paying Agency Agreement shall be deemed to cure *pro tanto* such default by the Issuer and shall be deemed for the purposes of this Clause 4 to have been paid to or for the account of the Trustee except to the extent that there is failure in the subsequent payment of such amount to the Noteholders and Couponholders in accordance with the Conditions, and everything so paid by the Guarantor in accordance with the Paying Agency Agreement shall have the same effect as if it had been paid thereunder by the Issuer.

4.4 Unconditional obligation

The Guarantor agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of this Trust Deed or any Note or Coupon, or any change in or amendment hereto or thereto, the absence of any action to enforce the same, any waiver or consent by any Noteholder or Couponholder or by the Trustee with respect to any provision of this Trust Deed or the Notes, the obtaining of any judgment against the Issuer or any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

4.5 Guarantor's obligations continuing

The Guarantor waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, protest or notice with respect to any Note or the indebtedness evidenced thereby and all demands whatsoever. The Guarantor agrees that the guarantee and indemnity contained in this Clause 4 is a continuing guarantee and indemnity and shall remain in full force and effect until all amounts due as principal, interest or otherwise in respect of the Notes or Coupons or under this Trust Deed shall have been paid in full and that the Guarantor shall not be discharged by anything other than a complete performance of the obligations contained in this Trust Deed and the Notes and Coupons.

4.6 Subrogation of Guarantor's rights

The Guarantor shall be subrogated to all rights of the Noteholders against the Issuer in respect of any amounts paid by such Guarantor pursuant hereto; *provided that* the

Guarantor shall not without the consent of the Trustee be entitled to enforce, or to receive any payments arising out of or based upon or prove in any insolvency or winding up of the Issuer in respect of, such right of subrogation until such time as the principal of and interest on all outstanding Notes and Coupons and all other amounts due under this Trust Deed and the Notes and Coupons have been paid in full. Furthermore, until such time as aforesaid the Guarantor shall not take any security or counter-indemnity from the Issuer in respect of the Guarantor's obligations under this Clause 4.

4.7 Repayment to the Issuer

If any payment received by the Trustee or the Principal Paying Agent pursuant to the provisions of this Trust Deed or the Conditions shall, on the subsequent bankruptcy, insolvency, corporate reorganisation or other similar event affecting the Issuer, be avoided, reduced, invalidated or set aside under any laws relating to bankruptcy, insolvency, corporate reorganisation or other similar events, such payment shall not be considered as discharging or diminishing the liability of the Guarantor whether as guarantor, principal debtor or indemnifier and the guarantee and indemnity contained in this Clause 4 shall continue to apply as if such payment had at all times remained owing by the Issuer and the Guarantor shall indemnify and keep indemnified the Trustee and the Noteholders on the terms of the guarantee and indemnity contained in this Clause.

4.8 Suspense account

Any amount received or recovered by the Trustee from the Guarantor in respect of any sum payable by the Issuer under this Trust Deed or the Notes or the Coupons may be placed in a suspense account and kept there for so long as the Trustee thinks fit.

4.9 Financial Covenant

The Guarantor covenants that its Regulated Asset Ratio shall not exceed 0.7:1 unless a Securitisation has occurred.

5. COVENANT TO COMPLY WITH TRUST DEED AND SCHEDULES

The Issuer and the Guarantor each hereby covenant with the Trustee to comply with those provisions of this Trust Deed and the Conditions which are expressed to be binding on it and to perform and observe the same. The Notes and the Coupons are subject to the provisions contained in this Trust Deed, all of which shall be binding upon the Issuer, the Guarantor, the Noteholders and the Couponholders and all persons claiming through or under them respectively.

6. COVENANTS BY THE ISSUER AND THE GUARANTOR

Each of the Issuer and the Guarantor hereby covenants with the Trustee that, so long as any of the Notes remain outstanding, it will:

6.1 Books of account

At all times keep and procure that all its Subsidiaries keep such books of account as may be necessary to comply with all applicable laws and so as to enable the financial statements of the Issuer and the Guarantor to be prepared, and allow the Trustee and any person appointed by it free access to the same at all reasonable times and to discuss the same with responsible officers of the Issuer or the Guarantor;

6.2 Event of Default

Give notice in writing to the Trustee forthwith upon becoming aware of any Event of Default or Potential Event of Default and without waiting for the Trustee to take any further action;

6.3 Certificate of Compliance

Provide to the Trustee within 10 business days of any request by the Trustee and at the time of the despatch to the Trustee of its annual balance sheet and profit and loss account, and in any event not later than 180 days after the end of its financial year, a certificate, signed by two Authorised Signatories of the Issuer, or the Guarantor, as the case may be, certifying that up to a specified date not earlier than seven days prior to the date of such certificate (the "**Certified Date**") the Issuer or the Guarantor, as the case may be has complied with its obligations under this Trust Deed (or, if such is not the case, giving details of the circumstances of such non-compliance) and that as at such date there did not exist nor had there existed at any time prior thereto since the Certified Date in respect of the previous such certificate (or, in the case of the first such certificate, since the date of this Trust Deed) any Event of Default or Potential Event of Default or other matter which would affect the Issuer's ability to perform its obligations under this Trust Deed or (if such is not the case) specifying the same;

6.4 Accounts in relation to Principal Subsidiaries

Ensure that such accounts are prepared as may be necessary to determine which subsidiaries are Principal Subsidiaries and procure that the Auditors prepare and deliver to the Trustee at the time of issue of every audited consolidated balance sheet of the Issuer and at any other time upon the request of the Trustee a certificate or report specifying the Principal Subsidiaries at the date of such balance sheet or request;

6.5 Certificate relating to Principal Subsidiaries

Give to the Trustee, as soon as reasonably practicable after the acquisition or disposal of any company which thereby becomes or ceases to be a Principal Subsidiary or after any transfer is made to any Subsidiary which thereby becomes a Principal Subsidiary, a certificate by the Auditors to such effect;

6.6 Report by Auditors

In the absence of a certificate signed by two directors of the Guarantor, procure that, pursuant to Condition 8(c), the Auditors prepare and deliver to the Trustee a report as to the amount of the Capital and Reserves at any given time;

6.7 Financial statements

Send to the Trustee and to the Principal Paying Agent (if the same are produced) as soon as practicable after their date of publication and in the case of annual financial statements in any event not more than 180 days after the end of each financial year, two copies of the Issuer's and the Guarantor's, as the case may be, annual balance sheet and profit and loss account and of every balance sheet, profit and loss account, report or other notice, statement or circular issued (or which under any legal or contractual obligation should be issued) to the members or holders of debentures or creditors (or any class of them) of the Issuer or the Guarantor, as the case may be, in their capacity as such at the time of the actual (or legally or contractually required) issue or publication thereof and procure that the same are made available for inspection by Noteholders and Couponholders at the Specified Offices of the Paying Agents as soon as practicable thereafter;

6.8 Information

So far as permitted by applicable law, at all times give to the Trustee such information, opinions, certificates and other evidence as it shall require and in such form as it shall require (including, without limitation, the certificates called for by the Trustee pursuant to Clause 6.3 (*Certificate of Compliance*) for the performance of its functions;

6.9 Notes held by Issuer and Guarantor

Send to the Trustee forthwith upon being so requested in writing by the Trustee a certificate of the Issuer or, as the case may be, Guarantor (signed on its behalf by two Authorised Signatories) setting out the total number of Notes of each series which at the date of such certificate are held by or for the benefit of the Issuer or, as the case may be, the Guarantor, or any Subsidiary;

6.10 Execution of further Documents

So far as permitted by applicable law, at all times execute all such further documents and do all such further acts and things as may be reasonably necessary at any time or times in the opinion of the Trustee to give effect to the provisions of this Trust Deed;

6.11 Notices to Noteholders

Send or procure to be sent to the Trustee not less than three days prior to the date of publication, for the Trustee's approval, one copy of each notice to be given to the Noteholders in accordance with the Conditions and not publish such notice without such approval and, upon publication, send to the Trustee two copies of such notice

(such approval, unless so expressed, not to constitute approval of such notice for the purpose of Section 21 of the Financial Services and Markets Act 2000);

6.12 Notification of non-payment

Use its best endeavours to procure that the Principal Paying Agent notifies the Trustee forthwith in the event that it does not, on or before the due date for payment in respect of the Notes or any of them or any of the Coupons, receive unconditionally the full amount in the relevant currency of the moneys payable on such due date on all such Notes or Coupons;

6.13 Notification of late payment

In the event of the unconditional payment to the Principal Paying Agent or the Trustee of any sum due in respect of the Notes or any of them or any of the Coupons being made after the due date for payment thereof, forthwith give notice to the Noteholders that such payment has been made;

6.14 Notification of redemption or repayment

Not less than the number of days specified in the relevant Condition prior to the redemption or repayment date in respect of any Note, give to the Trustee notice in writing of the amount of such redemption or repayment in accordance with and pursuant to the Conditions and duly proceed to redeem or repay such Notes accordingly;

6.15 Notification of Restructuring Event and Termination of Appointment

Give notice in writing to the Trustee forthwith upon becoming aware of the occurrence of a Restructuring Event or of the termination of the Appointment and appoint an Independent Financial Adviser within 21 days of becoming so aware;

6.16 Tax or optional redemption

If the Issuer gives notice to the Trustee that it intends to redeem the Notes pursuant to Condition 5(b), the Issuer shall, prior to giving such notice to the Noteholders, provide such information to the Trustee as the Trustee requires in order to satisfy itself of the matters referred to in such Condition;

6.17 Obligations of Paying Agents

Observe and comply with its obligations and use all reasonable endeavours to procure that the Paying Agents observe and comply with all their obligations under the Paying Agency Agreement and notify the Trustee immediately if it becomes aware of any material breach of such obligations, or failure by a Paying Agent to comply with such obligations, in relation to the Notes or Coupons;

6.18 Change of taxing jurisdiction

If the Issuer or the Guarantor shall become subject generally to the taxing jurisdiction of any territory or any political sub-division thereof or any authority therein or thereof having power to tax other than or in addition to the United Kingdom, immediately upon becoming aware thereof, it shall notify the Trustee of such event and (unless the Trustee otherwise agrees) enter forthwith into a trust deed supplemental hereto, giving to the Trustee an undertaking or covenant in form and manner satisfactory to the Trustee in terms corresponding to the terms of Condition 7 with the substitution for (or, as the case may be, the addition to) the references therein to the United Kingdom of references to that other or additional territory to whose taxing jurisdiction, or that of a political subdivision thereof or an authority therein or thereof, the Issuer or the Guarantor shall have become subject as aforesaid, such trust deed also to modify Condition 7 so that such Condition shall make reference to that other or additional territory;

6.19 Listing

At all times use all reasonable endeavours to maintain the listing of the Original Notes on the Official List of the United Kingdom Listing Authority and the admission to trading of the Notes on the London Stock Exchange PLC or, if it is unable to do so having used all reasonable endeavours or if the maintenance of such listing is agreed by the Trustee to be unduly burdensome or impractical, use reasonable endeavours to obtain and maintain a quotation or listing of the Original Notes on such other stock exchange or exchanges or securities market or markets as the Issuer and the Guarantor may (with the approval of the Trustee) decide and give notice of the identity of such other stock exchange or exchanges or securities market or markets to the Noteholders;

6.20 Authorised Signatories

Upon the execution hereof and thereafter forthwith upon any change of the same, deliver to the Trustee (with a copy to the Principal Paying Agent) a list of the Authorised Signatories of the Issuer or, as the case may be, the Guarantor, together with certified specimen signatures of the same; and

6.21 Payments

Pay moneys payable by it to the Trustee hereunder 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 Trustee of the amount which would otherwise have been payable by it to the Trustee hereunder.

7. AMENDMENTS AND SUBSTITUTION

7.1 Waiver

The Trustee may, without any consent or sanction of the Noteholders or Couponholders and without prejudice to its rights in respect of any subsequent breach, condition, event or act, from time to time and at any time, but only if and in so far as in its opinion the interests of the Noteholders shall not be materially prejudiced thereby, authorise or waive, on such terms and conditions (if any) as shall seem expedient to it, any breach or proposed breach of any of the covenants or provisions contained in this Trust Deed or the Notes or Coupons or determine that any Event of Default or Potential Event of Default shall not be treated as such for the purposes of this Trust Deed; any such authorisation, waiver or determination shall be binding on the Noteholders, the Couponholders and, if, but only if, the Trustee shall so require, the Issuer shall cause such authorisation, waiver or determination to be notified to the Noteholders as soon as practicable thereafter in accordance with the Condition relating thereto; *provided that* the Trustee shall not exercise any powers conferred upon it by this Clause in contravention of any express direction by an Extraordinary Resolution or of a request in writing made by the holders of not less than 25 per cent. in aggregate principal amount of the Notes then outstanding (but so that no such direction or request shall affect any authorisation, waiver or determination previously given or made) or so as to authorise or waive any such breach or proposed breach relating to any of the matters the subject of the Reserved Matters as specified and defined in Schedule 3.

7.2 Modifications

The Trustee may from time to time and at any time without any consent or sanction of the Noteholders or Couponholders concur with the Issuer and the Guarantor in making (a) any modification to this Trust Deed (other than in respect of Reserved Matters as specified and defined in Schedule 3 or any provision of this Trust Deed referred to in that specification) or the Notes which in the opinion of the Trustee it may be proper to make provided the Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Noteholders or (b) any modification to this Trust Deed or the Notes if in the opinion of the Trustee such modification is of a formal, minor or technical nature or made to correct a manifest error. Any such modification shall be binding on the Noteholders and the Couponholders and, unless the Trustee otherwise agrees, the Issuer shall cause such modification to be notified to the Noteholders as soon as practicable thereafter in accordance with the Conditions.

7.3 Substitution of the Issuer

7.3.1 *Procedure:* The Trustee may, without the consent of the Noteholders or the Couponholders, agree to the substitution, in place of the Issuer (or of any previous substitute under this Clause) of the Guarantor or any Subsidiary of the Guarantor (hereinafter called the "**Substituted Obligor**") as the principal debtor hereunder if:

- (a) a trust deed is executed or some other written form of undertaking is given by the Substituted Obligor to the Trustee, in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of this Trust Deed, the Notes and the Coupons with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substituted Obligor had been named in this Trust Deed and on the Notes and the Coupons as the principal debtor in place of the Issuer (or of any previous substitute under this Clause);
- (b) the Issuer, the Guarantor and the Substituted Obligor execute such other deeds, documents and instruments (if any) as the Trustee may require in order that the substitution is fully effective and (unless the Substituted Obligor is the Guarantor) the guarantee contained in Clause 4 (*Guarantee and Indemnity*) is fully effective in relation to the obligations of the Substituted Obligor and comply with such other requirements as the Trustee may direct in the interests of the Noteholders and the Couponholders;
- (c) the Trustee is satisfied that (i) the Substituted Obligor has obtained all governmental and regulatory approvals and consents necessary for its assumption of liability as principal debtor in respect of the Notes and the Coupons in place of the Issuer (or such previous substitute as aforesaid), (ii) the Guarantor has obtained all governmental and regulatory approvals and consents necessary for the guarantee to be fully effective as described in sub-clause 7.3.1(b) and (iii) such approvals and consents are at the time of substitution in full force and effect;
- (d) without prejudice to the generality of the preceding sub-clauses 7.3.1(a) to (c) where the Substituted Obligor is incorporated, domiciled or resident in or is otherwise subject generally to the taxing jurisdiction of any territory or any political sub-division thereof or any authority of or in such territory having power to tax (the "**Substituted Territory**") other than or in addition to the territory, the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally (the "**Issuer's Territory**"), the Substituted Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking in form and manner satisfactory to the Trustee in terms corresponding to the terms of Condition 7 with the substitution for the reference in that Condition to the Issuer's Territory of references to the Substituted Territory and in such event the Trust Deed and Notes and Coupons will be interpreted accordingly;
- (e) without prejudice to the rights of reliance of the Trustee under sub-clause 7.3.4 (*Directors' certification*) the Trustee is satisfied that the said substitution is not materially prejudicial to the interests of the Noteholders; and

- (f) Moody's Investors Services Inc. and Standard & Poor's, a division of McGraw-Hill Companies, Inc., have confirmed in writing to the Trustee that the substitution of the Substituted Obligor will not result in a downgrading of the then current credit rating of such rating agencies applicable to the class of debt represented by the Notes;
- 7.3.2 *Change of law:* In connection with any proposed substitution of the Issuer or any previous substitute, the Trustee may, in its absolute discretion and without the consent of the Noteholders or the Couponholders agree to a change of the law from time to time governing the Notes and the Coupons and this Trust Deed provided that such change of law, in the opinion of the Trustee, would not be materially prejudicial to the interests of the Noteholders;
- 7.3.3 *Extra duties:* The Trustee shall be entitled to refuse to approve any Substituted Obligor if, pursuant to the law of the country of incorporation of the Substituted Obligor, the assumption by the Substituted Obligor of its obligations hereunder imposes extra financial responsibilities on the Trustee over and above those which have been assumed under this Trust Deed.
- 7.3.4 *Directors' certification:* If any two directors of the Substituted Obligor certify that immediately prior to the assumption of its obligations as Substituted Obligor under this Trust Deed the Substituted Obligor is solvent after taking account of all prospective and contingent liabilities resulting from its becoming the Substituted Obligor, the Trustee need not have regard to the financial condition, profits or prospects of the Substituted Obligor or compare the same with those of the Issuer or the Guarantor (or of any previous substitute under this Clause);
- 7.3.5 *Interests of Noteholders:* In connection with any proposed substitution, the Trustee shall not have regard to, or be in any way liable for, the consequences of such substitution for individual Noteholders or the Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder or Couponholder shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders or Couponholders;
- 7.3.6 *Release of Issuer:* Any such agreement by the Trustee pursuant to sub-clause 7.3.1 (*Procedure*) shall, if so expressed, operate to release the Issuer (or such previous substitute as aforesaid) from any or all of its obligations as principal debtor under the Notes and this Trust Deed. Not later than fourteen days after the execution of any such documents as aforesaid and after compliance with the said requirements of the Trustee, the Substituted Obligor shall cause notice thereof to be given to the Noteholders; and

7.3.7 *Completion of Substitution:* Upon the execution of such documents and compliance with the said requirements, the Substituted Obligor shall be deemed to be named in this Trust Deed and the Notes and Coupons as the principal debtor in place of the Issuer (or of any previous substitute under this Clause) and this Trust Deed, the Notes and the Paying Agency Agreement shall thereupon be deemed to be amended in such manner as shall be necessary to give effect to the substitution and without prejudice to the generality of the foregoing any references in this Trust Deed, in the Notes and Coupons or in the Paying Agency Agreement to the Issuer shall be deemed to be references to the Substituted Obligor.

7.4 Substitution of the Guarantor

7.4.1 *Procedure:* The Trustee shall, without the consent of the Noteholders or the Couponholders, agree with the Issuer to the substitution, in place of the Guarantor (or of any previous substitute under this Clause) of a newly formed company incorporated in England (a "**Substitute Guarantor**") in respect of the Trust Deed, the Notes and the Coupons if:

- (a) the Guarantor validly and effectively transfers to the Substitute Guarantor, simultaneously with the substitution and for a consideration not exceeding the Regulated Asset Value (as certified by the Issuer to the Trustee, upon which certification the Trustee can rely without further investigation), the Appointment and all assets and liabilities of the Guarantor (associated with the regulated business of the Guarantor as a water undertaker and sewerage undertaker for the areas described in the Appointment) such that, upon such transfer, the total assets less non-cash liabilities of the Substitute Guarantor are at least the Regulated Asset Value;
- (b) a trust deed is executed or some other written form of undertaking is given by the Substitute Guarantor to the Trustee, in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of this Trust Deed, the Notes and the Coupons with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substitute Guarantor had been named in this Trust Deed and on the Notes and the Coupons in place of the Guarantor (or of any previous substitute under this Clause);
- (c) the Issuer, the Guarantor and the Substitute Guarantor execute such other deeds, documents and instruments (if any) as the Trustee may require in order that the substitution is fully effective and the guarantee contained in Clause 4 (*Guarantee and Indemnity*) is fully effective in relation to the obligations of the Substitute Guarantor; and
- (d) the Trustee is satisfied that (i) the Substitute Guarantor has obtained all governmental and regulatory approvals and consents necessary for its

assumption of liability in respect of the Notes and the Coupons in place of the Guarantor (or such previous substitute as aforesaid), (ii) the Guarantor has obtained all governmental and regulatory approvals and consents necessary for the guarantee to be fully effective as described in sub-clause 7.4.1(c) and (iii) such approvals and consents are at the time of substitution in full force and effect;

7.4.2 *Release of Guarantor:* Any such agreement by the Trustee pursuant to sub-clause 7.4.1 (*Procedure*) shall, if so expressed, operate to release the Guarantor (or such previous substitute as aforesaid) from any or all of its obligations as guarantor under the Notes and this Trust Deed upon completion of the substitution pursuant to sub-clause 7.4.3 below.

7.4.3 *Completion of Substitution:* Upon the execution of such documents and compliance with the said requirements, the Substitute Guarantor shall be deemed to be named in this Trust Deed and in the Notes and Coupons as the guarantor in place of the Guarantor (or of any previous substitute under this Clause) and this Trust Deed, the Notes and the Paying Agency Agreement shall thereupon be deemed to be amended in such manner as shall be necessary to give effect to the substitution and without prejudice to the generality of the foregoing, any references in this Trust Deed, in the Notes and Coupons or in the Paying Agency Agreement to the Guarantor shall be deemed to be references to the Substitute Guarantor.

8. SECURITISATION EVENT COVENANT

The Trustee shall, at the request of the Issuer, without the consent of the Noteholders or the Couponholders, do all such acts or execute all such documents as may be required by the Issuer to implement any Securitisation (and the Trustee shall be entitled to rely on certification from the Issuer that the proposed arrangement comprises a Securitisation within the meaning of such defined term) and to confer on the Noteholders and the Couponholders the security intended to be conferred on them by or pursuant to any such Securitisation, provided that:

8.1.1 the Rating Agencies have confirmed to the Trustee that the ratings of the Notes immediately following the implementation of the Securitisation will not be less than BBB+ from Standard and Poor's and Baa1 from Moody's or such other comparable rating as may be standard;

8.1.2 the Issuer supplies the Trustee with a legal opinion in form and substance satisfactory to it that the Notes rank at least *pari passu* with the highest rated notes issued pursuant to the Securitisation; and

- 8.1.3 the Issuer supplies the Trustee with a legal opinion in form and substance satisfactory to it that the obligations of the Issuer and the Guarantor are secured by first ranking charges over the shares of each of the Issuer and the Guarantor and by first ranking fixed and floating charges over the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer and Guarantor to the extent permitted by law and regulation.

9. ENFORCEMENT

9.1 Legal Proceedings

The Trustee may at any time, at its discretion and without further notice, institute such proceedings against the Issuer as it thinks fit to recover any amounts due in respect of the Notes which are unpaid or to enforce any of its rights under this Trust Deed or the Conditions but it shall not be bound to take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter of the aggregate principal amount of the outstanding Notes and (b) it shall have been indemnified and/or secured to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith and provided that the Trustee shall not be held liable for the consequence of taking any such action and may take such action without having regard to the effect of such action on individual Noteholders or Couponholders. Only the Trustee may enforce the provisions of the Notes or this Trust Deed and no Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within 90 days and such failure is continuing.

9.2 Evidence of Default

If the Trustee (or any Noteholder or Couponholder where entitled under this Trust Deed so to do) makes any claim, institutes any legal proceeding or lodges any proof in a winding-up or insolvency of the Issuer or the Guarantor under this Trust Deed or under the Notes, proof therein that:

- 9.2.1 as regards any specified Note, the Issuer has made default in paying any principal due in respect of such Note shall (unless the contrary be proved) be sufficient evidence that the Issuer has made the like default as regards all other Notes in respect of which a corresponding payment is then due; and
- 9.2.2 as regards any specified Coupon, the Issuer has made default in paying any interest due in respect of such Coupon shall (unless the contrary be proved) be sufficient evidence that the Issuer has made the like default as regards all other Coupons in respect of which a corresponding payment is then due; and
- 9.2.3 as regards any Talon, the Issuer has made default in exchanging such Talon for further Coupons and a further Talon as provided by its terms shall (unless

the contrary be proved) be sufficient evidence that the Issuer has made the like default as regards all other Talons which are then available for exchange;

and for the purposes of sub-clauses 9.2.1 and 9.2.2 a payment shall be a "corresponding" payment notwithstanding that it is due in respect of a Note of a different denomination from that in respect of the above specified Note or specified Coupon.

10. APPLICATION OF MONEYS

10.1 Application of Moneys

All moneys received by the Trustee in respect of the Notes or amounts payable under this Trust Deed will (a) despite any appropriation of all or part of them by the Issuer or the Guarantor and (b) unless and to the extent attributable in the opinion of the Trustee to a particular series of Notes, be apportioned *pari passu* and rateably between each series of the Notes, and all moneys received by the Trustee under this Trust Deed to the extent attributable in the opinion of the Trustee to a particular series of the Notes or which are apportioned to such series as aforesaid (including any moneys which represent principal or interest in respect of Notes or Coupons which have become void under the Conditions) be held by the Trustee on trust to apply them (subject to Clause 10.2 (*Investment of Moneys*) and Clause 4.8 (*Suspense Account*)):

- 10.1.1 first, in payment or satisfaction of the costs, charges, expenses and liabilities incurred by the Trustee in the preparation and execution of the trusts of this Trust Deed (including remuneration of the Trustee);
- 10.1.2 secondly, in or towards payment *pari passu* and rateably of all arrears of interest remaining unpaid in respect of the Notes of that series and all principal moneys due on or in respect of the Notes of that series; and
- 10.1.3 thirdly, the balance (if any) in payment to the Issuer or, if such moneys were received from the Guarantor, the Guarantor.

10.2 Investment of Moneys

If the amount of the moneys at any time available for payment of principal and interest in respect of the Notes under Clause 10.1 (*Application of Moneys*) shall be less than a sum sufficient to pay at least one-tenth of the principal amount of the Notes then outstanding, the Trustee may, at its discretion, invest such moneys upon some or one of the investments hereinafter authorised with power from time to time, with like discretion, to vary such investments; and such investment with the resulting income thereof may be accumulated until the accumulations together with any other funds for the time being under the control of the Trustee and available for the purpose shall amount to a sum sufficient to pay at least one-tenth of the principal amount of the Notes then outstanding and such accumulation and funds (after deduction of any taxes and any other deductibles applicable thereto) shall then be applied in the manner aforesaid.

10.3 Authorised Investments

Any moneys which under this Trust Deed may be invested by the Trustee may be invested in the name or under the control of the Trustee in any of the investments for the time being authorised by English law for the investment by trustees of trust moneys or in any other investments, whether similar to those aforesaid or not, which may be selected by the Trustee or by placing the same on deposit in the name or under the control of the Trustee with such bank or other financial institution as the Trustee may think fit and in such currency as the Trustee in its absolute discretion may determine and the Trustee may at any time vary or transfer any of such investments for or into other such investments or convert any moneys so deposited into any other currency and shall not be responsible for any Liability occasioned by reason of any such investments or such deposit whether by depreciation in value, fluctuation in exchange rates or otherwise.

10.4 Payment to Noteholders and Couponholders

The Trustee shall give notice to the Noteholders in accordance with the Conditions of the date fixed for any payment under Clause 10.1 (*Application of Moneys*). Any payment to be made in respect of the Notes or the Coupons by the Issuer, the Guarantor or the Trustee may be made in the manner provided in the Conditions, the Paying Agency Agreement and this Trust Deed and any payment so made shall be a good discharge to the extent of such payment, by the Issuer, the Guarantor or the Trustee, as the case may be. Any payment in full of interest made in respect of a Coupon in the manner aforesaid shall extinguish any claim of a Noteholder which may arise directly or indirectly in respect of such interest.

10.5 Production of Notes and Coupons

Upon any payment under Clause 10.4 (*Payment to Noteholders and Couponholders*) of principal or interest, the Note or Coupon in respect of which such payment is made shall, if the Trustee so requires, be produced to the Trustee or the Paying Agent by or through whom such payment is made and the Trustee shall, in the case of part payment, enface or cause such Paying Agent to enface a memorandum of the amount and date of payment thereon or, in the case of payment in full, shall cause such Note or Coupon to be surrendered or shall cancel or procure the same to be cancelled and shall certify or procure the certification of such cancellation.

10.6 Noteholders to be treated as holding all Coupons

Wherever in this Trust Deed the Trustee is required or entitled to exercise a power, trust, authority or discretion under this Trust Deed, the Trustee shall, notwithstanding that it may have express notice to the contrary, assume that each Noteholder is the holder of all Coupons appertaining to each Note of which he is the holder.

11. TERMS OF APPOINTMENT

By way of supplement to the Trustee Acts, it is expressly declared as follows:

11.1 Reliance on Information

- 11.1.1 *Advice:* The Trustee may in relation to this Trust Deed act on the opinion or advice of or a certificate or any information obtained from any lawyer, banker, valuer, surveyor, broker, auctioneer, accountant or other expert (whether obtained by the Trustee, the Issuer, the Guarantor, any Subsidiary or any Agent) and which advice or opinion may be provided on such terms (including as to limitations on liability) as the Trustee may consider in its sole discretion to be consistent with prevailing market practice with regard to advice or opinions of that nature and shall not be responsible for any Liability occasioned by so acting; any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, telex, cablegram or facsimile transmission and the Trustee shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same shall contain some error or shall not be authentic;
- 11.1.2 *Certificate of directors or Authorised Signatories:* the Trustee may call for and shall be at liberty to accept a certificate signed by two directors and/or two Authorised Signatories of the Issuer or the Guarantor or other person duly authorised on their behalf as to any fact or matter *prima facie* within the knowledge of the Issuer or the Guarantor, as the case may be, as sufficient evidence thereof and a like certificate to the effect that any particular dealing, transaction or step or thing is, in the opinion of the person so certifying, expedient as sufficient evidence that it is expedient and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any Liability that may be occasioned by its failing so to do;
- 11.1.3 *Certificate and Report of Auditors:* (i) a certificate of the Auditors that in their opinion a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary; and (ii) a report prepared by the Auditors pursuant to Condition 8(c) shall each, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor, the Trustee and all Noteholders;
- 11.1.4 *Resolution or direction of Noteholders:* the Trustee shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any meeting of the Noteholders in respect whereof minutes have been made and signed or a direction of a specified percentage of Noteholders, even though it may subsequently be found that there was some defect in the constitution of the meeting or the passing of the resolution or the making of the directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the making of

the directions was not valid or binding upon the Noteholders and Couponholders;

- 11.1.5 *Reliance on certification of clearing system:* the Trustee may call for and shall be at liberty to accept and place full reliance on as sufficient evidence thereof and shall not be liable to the Issuer, the Guarantor or any Noteholder by reason only of either having accepted as valid or not having rejected an original certificate or letter of confirmation purporting to be signed on behalf of Euroclear, Clearstream, Luxembourg or any other relevant clearing system in relation to any matter;
- 11.1.6 *Noteholders as a class:* whenever in this Trust Deed the Trustee is required in connection with any exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Noteholders, it shall have regard to the interests of the Noteholders as a class and in particular, but without prejudice to the generality of the foregoing, shall not be obliged to have regard to the consequences of such exercise for any individual Noteholder resulting from his or its being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory;
- 11.1.7 *Trustee not responsible for investigations:* the Trustee shall not be responsible for, or for investigating any matter which is the subject of, any recital, statement, representation, warranty or covenant of any person contained in this Trust Deed, the Notes, or any other agreement or document relating to the transactions herein or therein contemplated or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof;
- 11.1.8 *No Liability as a result of the delivery of a certificate:* the Trustee shall not be liable for any Liabilities directly or indirectly suffered or incurred by the Issuer, the Guarantor, any Noteholder, Couponholder or any other person as a result of the delivery by the Trustee to the Issuer of a certificate as to material prejudice pursuant to Condition 8 (*Events of Default*) on the basis of an opinion formed by it in good faith;
- 11.1.9 *No obligation to monitor:* the Trustee shall be under no obligation to monitor or supervise the functions of any other person under the Notes or Coupons or any other agreement or document relating to the transactions herein or therein contemplated and shall be entitled, in the absence of actual knowledge of a breach of obligation, to assume that each such person is properly performing and complying with its obligations;
- 11.1.10 *Notes held by the Issuer:* in the absence of knowledge or express notice to the contrary, the Trustee may assume without enquiry (other than requesting a certificate of the Issuer under sub-clause 6.9 (*Notes held by Issuer and Guarantor*)), that no Notes are for the time being held by or for the benefit of the Issuer or the Guarantor or their Subsidiaries;

- 11.1.11 *Forged Notes*: the Trustee shall not be liable to the Issuer, the Guarantor or any Noteholder or Couponholder by reason of having accepted as valid or not having rejected any Note or Coupon as such and subsequently found to be forged or not authentic;
- 11.1.12 *Events of Default*: the Trustee shall not be bound to give notice to any person of the execution of this Trust Deed or to take any steps to ascertain whether any Event of Default or Potential Event of Default has happened and, until it shall have actual knowledge or express notice to the contrary, the Trustee shall be entitled to assume that no such Event of Default or Potential Event of Default has happened and that each of the Issuer and the Guarantor is observing and performing all the obligations on its part contained in the Notes and Coupons and under this Trust Deed and no event has happened as a consequence of which any of the Notes may become repayable; and
- 11.1.13 *Right to Deduct or Withhold*: notwithstanding anything contained in this Trust Deed, to the extent required by any applicable law, if the Trustee is or will be required to make any deduction or withholding from any distribution or payment made by it hereunder or if the Trustee is or will be otherwise charged to, or is or may become liable to, tax as a consequence of performing its duties hereunder whether as principal, agent or otherwise, and whether by reason of any assessment, prospective assessment or other imposition of liability to taxation of whatsoever nature and whensoever made upon the Trustee, and whether in connection with or arising from any sums received or distributed by it or to which it may be entitled under this Trust Deed (other than in connection with its remuneration as provided for herein) or any investments or deposits from time to time representing the same, including any income or gains arising therefrom or any action of the Trustee in connection with the trusts of this Trust Deed (other than the remuneration herein specified) or otherwise, then the Trustee shall be entitled to make such deduction or withholding or, as the case may be, to retain out of sums received by it an amount sufficient to discharge any liability to tax which relates to sums so received or distributed or to discharge any such other liability of the Trustee to tax from the funds held by the Trustee upon the trusts of this Trust Deed.

11.2 Trustee's powers and duties

- 11.2.1 *Trustee's determination*: The Trustee may determine whether or not a default in the performance or observance by the Issuer or the Guarantor of any obligation under the provisions of this Trust Deed or contained in the Notes or Coupons is capable of remedy and/or materially prejudicial to the interests of the Noteholders and if the Trustee shall certify that any such default is, in its opinion, not capable of remedy and/or materially prejudicial to the interests of the Noteholders, such certificate shall be conclusive and binding upon the Issuer, the Guarantor and the Noteholders and Couponholders;

- 11.2.2 *Determination of questions:* the Trustee as between itself and the Noteholders and the Couponholders shall have full power to determine all questions and doubts arising in relation to any of the provisions of this Trust Deed and every such determination, whether made upon a question actually raised or implied in the acts or proceedings of the Trustee, shall be conclusive and shall bind the Trustee, the Noteholders and the Couponholders;
- 11.2.3 *Trustee's discretion:* Subject to Clause 8 (*Securitisation Event Covenant*), the Trustee shall (save as expressly otherwise provided herein) as regards all the trusts, powers, authorities and discretions vested in it by this Trust Deed or by operation of law, have absolute and uncontrolled discretion as to the exercise or non-exercise thereof and the Trustee shall not be responsible for any Liability that may result from the exercise or non-exercise thereof but whenever the Trustee is under the provisions of this Trust Deed bound to act at the request or direction of the Noteholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or provided with security to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing. Without limiting the general statement above, the Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction or, to the extent applicable, of England. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or England or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or in England or if it is determined by any court or other competent authority in that jurisdiction or in England that it does not have such power;
- 11.2.4 *Trustee's consent:* any consent given by the Trustee for the purposes of this Trust Deed may be given on such terms and subject to such conditions (if any) as the Trustee may require;
- 11.2.5 *Conversion of currency:* where it is necessary or desirable for any purpose in connection with this Trust Deed to convert any sum from one currency to another it shall (unless otherwise provided by this Trust Deed or required by law) be converted at such rate or rates, in accordance with such method and as at such date for the determination of such rate of exchange, as may be specified by the Trustee in its absolute discretion as relevant and any rate, method and date so specified shall be binding on the Issuer and the Guarantor, the Noteholders and the Couponholders;
- 11.2.6 *Application of proceeds:* the Trustee shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Notes, the

exchange of any Temporary Global Note for any Permanent Global Note or any Permanent Global Note for definitive Notes or the delivery of any Note or Coupon to the persons entitled to them;

- 11.2.7 *Error of judgment*: the Trustee shall not be liable for any error of judgment made in good faith by any officer or employee of the Trustee assigned by the Trustee to administer its corporate trust matters;
- 11.2.8 *Agents*: the Trustee may, in the conduct of the trusts of this Trust Deed instead of acting personally, employ and pay an agent on any terms, whether or not a lawyer or other professional person, to transact or conduct, or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Trustee (including the receipt and payment of money) and the Trustee shall not be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of any person appointed by it hereunder or be bound to supervise the proceedings or acts of any such person;
- 11.2.9 *Delegation*: the Trustee may, in the execution and exercise of all or any of the trusts, powers, authorities and discretions vested in it by this Trust Deed, act by responsible officers or a responsible officer for the time being of the Trustee and the Trustee may also whenever it thinks fit, whether by power of attorney or otherwise, delegate to any person or persons or fluctuating body of persons (whether being a joint trustee of this Trust Deed or not) all or any of the trusts, powers, authorities and discretions vested in it by this Trust Deed and any such delegation may be made upon such terms and conditions and subject to such regulations (including power to sub-delegate with the consent of the Trustee) as the Trustee may think fit in the interests of the Noteholders and the Trustee shall not be bound to supervise the proceedings or acts of and shall not in any way or to any extent be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of such delegate or sub-delegate;
- 11.2.10 *Custodians and nominees*: the Trustee may appoint and pay any person to act as a custodian or nominee on any terms in relation to such assets of the trust as the Trustee may determine, including for the purpose of depositing with a custodian this Trust Deed or any document relating to the trust created hereunder and the Trustee shall not be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of any person appointed by it hereunder or be bound to supervise the proceedings or acts of any such person; the Trustee is not obliged to appoint a custodian if the Trustee invests in securities payable to bearer; and
- 11.2.11 *Confidential information*: the Trustee shall not (unless required by law or ordered so to do by a court of competent jurisdiction) be required to disclose

to any Noteholder or Couponholder confidential information or other information made available to the Trustee by the Issuer or the Guarantor in connection with this Trust Deed and no Noteholder or Couponholder shall be entitled to take any action to obtain from the Trustee any such information.

11.3 Financial matters

- 11.3.1 *Professional charges:* any trustee being a banker, lawyer, broker or other person engaged in any profession or business shall be entitled to charge and be paid all usual professional and other charges for business transacted and acts done by him or his partner or firm on matters arising in connection with the trusts of this Trust Deed and also his properly incurred charges in addition to disbursements for all other work and business done and all time spent by him or his partner or firm on matters arising in connection with this Trust Deed, including matters which might or should have been attended to in person by a trustee not being a banker, lawyer, broker or other professional person;
- 11.3.2 *Expenditure by the Trustee:* nothing contained in this Trust Deed shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it; and
- 11.3.3 *Trustee may enter into financial transactions with the Issuer and the Guarantor:* no Trustee and no director or officer of any corporation being a Trustee hereof shall by reason of the fiduciary position of such Trustee be in any way precluded from making any contracts or entering into any transactions in the ordinary course of business with the Issuer, the Guarantor or any Subsidiary, or any person or body corporate directly or indirectly associated with the Issuer, the Guarantor or any Subsidiary, or from accepting the trusteeship of any other debenture stock, debentures or securities of the Issuer, the Guarantor or any Subsidiary or any person or body corporate directly or indirectly associated with the Issuer, the Guarantor or any Subsidiary, and neither the Trustee nor any such director or officer shall be accountable to the Noteholders or the Issuer, the Guarantor or any Subsidiary, or any person or body corporate directly or indirectly associated with the Issuer, the Guarantor or any Subsidiary, for any profit, fees, commissions, interest, discounts or share of brokerage earned, arising or resulting from any such contracts or transactions and the Trustee and any such director or officer shall also be at liberty to retain the same for its or his own benefit.

11.4 Disapplication

Section 1 of the Trustee Act 2000 shall not apply to the duties of the Trustee in relation to the trusts constituted by this Trust Deed. Where there are any inconsistencies between the Trustee Acts and the provisions of this Trust Deed, the provisions of this

Trust Deed shall, to the extent allowed by law, prevail and, in the case of any such inconsistency with the Trustee Act 2000, the provisions of this Trust Deed shall constitute a restriction or exclusion for the purposes of that Act.

11.5 Trustee Liability

Subject to Section 192 of the Companies Act 1985 (if applicable) and notwithstanding anything to the contrary in this Trust Deed, the Notes or the Paying Agency Agreement, the Trustee shall not be liable to any person for any matter or thing done or omitted in any way in connection with or in relation to this Trust Deed, the Notes or the Paying Agency Agreement save in relation to its own negligence, wilful default or fraud.

12. COSTS AND EXPENSES

12.1 Remuneration

12.1.1 *Normal Remuneration:* The Issuer shall pay to the Trustee remuneration for its services as trustee as from the date of this Trust Deed, such remuneration to be at such rate as may from time to time be agreed between the Issuer and the Trustee. Such remuneration shall be payable in advance on the anniversary of the date hereof in each year and the first payment shall be made on the date hereof. Upon the issue of any Further Notes the rate of remuneration in force immediately prior thereto shall be increased by such amount as shall be agreed between the Issuer and the Trustee, such increased remuneration to be calculated from such date as shall be agreed as aforesaid. The rate of remuneration in force from time to time may upon the final redemption of the whole of the Notes of any series be reduced by such amount as shall be agreed between the Issuer and the Trustee, such reduced remuneration to be calculated from such date as shall be agreed as aforesaid. Such remuneration shall accrue from day to day and be payable (in priority to payments to the Noteholders and Couponholders) up to and including the date when, all the Notes having become due for redemption, the redemption moneys and interest thereon to the date of redemption have been paid to the Principal Paying Agent or the Trustee, *provided that*, if upon due presentation (if required pursuant to the Conditions) of any Note or Coupon or any cheque, payment of the moneys due in respect thereof is improperly withheld or refused, remuneration will commence again to accrue;

12.1.2 *Extra Remuneration:* In the event of the occurrence of an Event of Default or a Potential Event of Default or the Trustee considering it expedient or necessary or being requested by the Issuer to undertake duties which the Trustee and the Issuer or the Guarantor (as the case may be) agree to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under this Trust Deed, the Issuer shall pay to the Trustee such additional remuneration as shall be agreed between them;

12.1.3 *Value added tax:* The Issuer shall in addition pay to the Trustee an amount equal to the amount of any value added tax or similar tax chargeable in respect of its remuneration under this Trust Deed;

12.1.4 *Failure to agree:* In the event of the Trustee and the Issuer failing to agree:

(a) (in a case to which Clause 12.1.1 applies) upon the amount of the remuneration; or

(b) (in a case to which Clause 12.1.2 applies) upon whether such duties shall be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under this Trust Deed, or upon such additional remuneration;

such matters shall be determined by a merchant bank (acting as an expert and not as an arbitrator) selected by the Trustee and approved by the Issuer or, failing such approval, nominated (on the application of the Trustee) by the President for the time being of The Law Society of England and Wales (the expenses involved in such nomination and the fees of such merchant bank being payable by the Issuer) and the determination of any such merchant bank shall be final and binding upon the Trustee and the Issuer;

12.1.5 *Expenses:* The Issuer shall also pay or discharge all costs, charges and expenses incurred by the Trustee in relation to the preparation and execution of, the exercise of its powers and the performance of its duties under, and in any other manner in relation to, this Trust Deed, including but not limited to legal and travelling expenses and any stamp, issue, registration, documentary and other taxes or duties paid or payable by the Trustee in connection with any action taken or contemplated by or on behalf of the Trustee for enforcing, or resolving any doubt concerning, or for any other purpose in relation to, this Trust Deed;

12.1.6 *Indemnity:* The Issuer shall indemnify the Trustee (a) in respect of all Liabilities and expenses incurred by it or by any Appointee or other person appointed by it to whom any trust, power, authority or discretion may be delegated by it in the execution or purported execution of the trusts, powers, authorities or discretions vested in it by this Trust Deed and (b) against all liabilities, actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted in any way relating to this Trust Deed *provided that* it is expressly stated that Clause 11.5 (*Trustee Liability*) shall apply in relation to these provisions;

12.1.7 *Payment of amounts due:* All amounts due and payable pursuant to sub-clauses 12.1.5 (*Expenses*) and 12.1.6 (*Indemnity*) shall be payable by the Issuer on the date specified in a demand by the Trustee; the rate of interest applicable to such payments shall be two per cent. per annum above the base rate from time to time of Barclays Bank PLC and interest shall accrue:

- (a) in the case of payments made by the Trustee prior to the date of the demand, from the date on which the payment was made or such later date as specified in such demand;
- (b) in the case of payments made by the Trustee on or after the date of the demand, from the date specified in such demand, which date shall not be a date earlier than the date such payments are made.

All remuneration payable to the Trustee shall carry interest at the rate specified in this Clause 12.1.7 (*Payment of amounts due*) from the due date thereof;

12.1.8 *Apportionment*: The Trustee shall be entitled in its absolute discretion to determine in respect of which series of Notes any costs, charges, expenses or liabilities incurred under this Trust Deed have been incurred or to allocate any such costs, charges, expenses or liabilities between two or more series of Notes;

12.1.9 *Discharges*: Unless otherwise specifically stated in any discharge of this Trust Deed the provisions of this Clause 12.1 (*Remuneration*) shall continue in full force and effect notwithstanding such discharge.

12.2 Stamp duties

The Issuer will pay all stamp duties, registration taxes, capital duties and other similar duties or taxes (if any) payable on (a) the constitution and issue of the Notes and Coupons, (b) the initial delivery of the Notes (c) any action taken by the Trustee (or any Noteholder or Couponholder where permitted or required under this Trust Deed so to do) to enforce the provisions of the Notes or this Trust Deed and (d) the execution of this Trust Deed. If the Trustee (or any Noteholder or Couponholder where permitted under this Trust Deed so to do) shall take any proceedings against the Issuer or the Guarantor in any other jurisdiction and if for the purpose of any such proceedings this Trust Deed or any Notes are taken into any such jurisdiction and any stamp duties or other duties or taxes become payable thereon in any such jurisdiction, the Issuer will pay (or reimburse the person making payment of) such stamp duties or other duties or taxes (including penalties).

12.3 Exchange rate indemnity

12.3.1 *Currency of Account and Payment*: pounds sterling (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Issuer and Guarantor under or in connection with this Trust Deed and the Notes and the Coupons, including damages;

12.3.2 *Extent of Discharge*: An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or the Guarantor or otherwise), by the Trustee or any

Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer or Guarantor will only discharge the Issuer and Guarantor to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so); and

- 12.3.3 *Indemnity*: If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under this Trust Deed or the Notes or the Coupons, the Issuer will indemnify it against any Liability sustained by it as a result. In any event, the Issuer will indemnify the recipient against the cost of making any such purchase.

12.4 Indemnities separate

The indemnities in this Trust Deed constitute separate and independent obligations from the other obligations in this Trust Deed, will give rise to separate and independent causes of action, will apply irrespective of any indulgence granted by the Trustee and/or any Noteholder or Couponholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Trust Deed or the Notes and/or the Coupons or any other judgment or order. Any such Liability as referred to in sub-clause 12.3.3 (*Indemnity*) shall be deemed to constitute a Liability suffered by the Trustee, the Noteholders and Couponholders and no proof or evidence of any actual Liability shall be required by the Issuer or Guarantor or their liquidator or liquidators.

13. APPOINTMENT AND RETIREMENT

13.1 Appointment of Trustees

The power of appointing new trustees of this Trust Deed shall be vested in the Issuer but no person shall be appointed who shall not previously have been approved by an Extraordinary Resolution. A trust corporation may be appointed sole trustee hereof but subject thereto there shall be at least two trustees hereof one at least of which shall be a trust corporation. Any appointment of a new trustee hereof shall as soon as practicable thereafter be notified by the Issuer to the Paying Agents and to the Noteholders. The Noteholders shall together have the power, exercisable by Extraordinary Resolution, to remove any trustee or trustees for the time being hereof. The removal of any trustee shall not become effective unless there remains a trustee hereof (being a trust corporation) in office after such removal.

13.2 Co-trustees

Notwithstanding the provisions of Clause 13.1 (*Appointment of Trustees*), the Trustee may, upon giving prior notice to the Issuer and the Guarantor but without the consent of the Issuer or the Guarantor or the Noteholders, appoint any person established or resident in any jurisdiction (whether a trust corporation or not) to act either as a separate trustee or as a co-trustee jointly with the Trustee:

- 13.2.1 if the Trustee considers such appointment to be in the interests of the Noteholders; or
- 13.2.2 for the purposes of conforming to any legal requirements, restrictions or conditions in any jurisdiction in which any particular act or acts are to be performed; or
- 13.2.3 for the purposes of obtaining a judgment in any jurisdiction or the enforcement in any jurisdiction either of a judgment already obtained or of this Trust Deed.

13.3 Attorneys

The Issuer and the Guarantor each hereby irrevocably appoints the Trustee to be its attorney in its name and on its behalf to execute any such instrument of appointment. Such a person shall (subject always to the provisions of this Trust Deed) have such trusts, powers, authorities and discretions (not exceeding those conferred on the Trustee by this Trust Deed) and such duties and obligations as shall be conferred on such person or imposed by the instrument of appointment. The Trustee shall have power in like manner to remove any such person. Such proper remuneration as the Trustee may pay to any such person, together with any attributable costs, charges and expenses incurred by it in performing its function as such separate trustee or co-trustee, shall for the purposes of this Trust Deed be treated as costs, charges and expenses incurred by the Trustee.

13.4 Retirement of Trustees

Any Trustee for the time being of this Trust Deed may retire at any time upon giving not less than three calendar months' notice in writing to the Issuer and the Guarantor without assigning any reason therefor and without being responsible for any costs occasioned by such retirement. The retirement of any Trustee shall not become effective unless there remains a trustee hereof (being a trust corporation) in office after such retirement. Each of the Issuer and the Guarantor hereby covenants that in the event of the only trustee hereof which is a trust corporation giving notice under this Clause it shall use its best endeavours to procure a new trustee, being a trust corporation, to be appointed and if the Issuer has not procured the appointment of a new trustee within 30 days of the expiry of the Trustee notice referred to in this Clause 13.4, the Trustee shall be entitled to procure forthwith a new trustee.

13.5 Competence of a majority of Trustees

Whenever there shall be more than two trustees hereof the majority of such trustees shall (provided such majority includes a trust corporation) be competent to execute and exercise all the trusts, powers, authorities and discretions vested by this Trust Deed in the Trustee generally.

13.6 Powers additional

The powers conferred by this Trust Deed upon the Trustee shall be in addition to any powers which may from time to time be vested in it by general law or as the holder of any of the Notes or Coupons.

13.7 Merger

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Clause, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

14. NOTICES

14.1 Addresses for notices

All notices and other communications hereunder shall be made in writing and in English (by letter, telex or fax) and shall be sent as follows:

14.1.1 *Issuer:* if to the Issuer, to it at:

Three Valleys Water Finance PLC
PO Box 48
Bishops Rise
Hatfield
Hertfordshire AL10 9HL
United Kingdom

Fax: +44 (0) 1707 277198
Attention: The Company Secretary

14.1.2 *Guarantor:* if to the Guarantor, to it at:

Three Valleys Water PLC
PO Box 48
Bishops Rise
Hatfield
Hertfordshire AL10 9HL
United Kingdom

Fax: +44 (0) 1707 277198
Attention: The Company Secretary

14.1.3 *Trustee:* if to the Trustee, to it at:

Citicorp Trustee Company Limited
14th Floor
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Fax: +44 20 7500 5248
Attention: Agency and Trust

14.2 Effectiveness

Every notice or other communication sent in accordance with Clause 14.1 shall be effective as follows:

14.2.1 *Letter or fax:* if sent by letter, it shall be deemed to have been delivered 3 days after the time of despatch and if sent by fax it shall be deemed to have been delivered at the time of despatch; and

provided that any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the addressee. The failure of the addressee to receive such communication shall not invalidate the relevant notice or other communication given by fax.

14.3 No Notice to Couponholders

Neither the Trustee nor the Issuer nor the Guarantor shall be required to give any notice to the Couponholders for any purpose under this Trust Deed and the Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with Condition 16.

15. GOVERNING LAW AND JURISDICTION

15.1 Governing Law

This Trust Deed and the Notes and all matters arising from or connected with them are governed by, and shall be construed in accordance with, English law.

15.2 Jurisdiction

The courts of England have exclusive jurisdiction to settle any dispute arising from or connected with this Trust Deed or the Notes (including a dispute regarding the existence, validity or termination of this Trust Deed or the Notes) or the consequences of their nullity.

16. SEVERABILITY

In case any provision in or obligation under this Trust Deed shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the

remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

17. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any provision of this Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

18. **COUNTERPARTS**

This Trust Deed may be executed in any number of counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF this Trust Deed has been executed as a deed by the parties hereto and is intended to be and is hereby delivered on the date first before written.

SCHEDULE 1

Part A

Form of 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.

THREE VALLEYS WATER FINANCE PLC

*(incorporated with limited liability under
the laws of England and Wales with registered number 5139236)*

£200,000,000

5.875% Guaranteed Notes due 2026

guaranteed by

THREE VALLEYS WATER PLC

*(incorporated with limited liability under
the laws of England and Wales with registered number 2546950)*

TEMPORARY GLOBAL NOTE

1. INTRODUCTION

This Temporary Global Note is issued in respect of the £200,000,000 5.875% Guaranteed Notes due 2026 (the "**Notes**") of Three Valleys Water Finance PLC (the "**Issuer**"). The Notes are subject to, and have the benefit of, a trust deed dated 13 July 2004 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer, Three Valleys Water PLC (the "**Guarantor**") and Citicorp Trustee Company Limited as trustee (the "**Trustee**", which expression includes all persons for the time being appointed trustee or trustees under the Trust Deed) and are the subject of a paying agency agreement dated 13 July (as amended or supplemented from time to time, the "**Agency Agreement**") and made between the Issuer, the Guarantor, Citibank, N.A. as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee.

2. REFERENCES TO CONDITIONS

Any reference herein to the "**Conditions**" is to the terms and conditions of the Notes set out in Schedule 4 (*Terms and Conditions of the Notes*) hereto and any reference to a

numbered "**Condition**" is to the correspondingly numbered provision thereof. Words and expressions defined in the Conditions shall have the same meanings when used in this Temporary Global Note.

3. **PROMISE TO PAY**

The Issuer, for value received, promises to pay to the bearer of this Temporary Global Note the principal sum of

£200,000,000

(TWO HUNDRED MILLION POUNDS)

on 13 July 2026 or on such earlier date or dates as the same may become payable in accordance with the Conditions, and to pay interest on such principal sum in arrear on the dates and at the rate specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions; *provided, however, that* such interest shall be payable only:

- 3.1 in the case of interest falling due before the Exchange Date (as defined below), to the extent that a certificate or certificates issued by Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**") dated not earlier than the date on which such interest falls due and in substantially the form set out in Schedule 3 (*Form of Euroclear/Clearstream, Luxembourg Certification*) hereto is/are delivered to the Specified Office (as defined in the Conditions) of the Principal Paying Agent; or
- 3.2 in the case of interest falling due at any time, to the extent that the Issuer has failed to procure the exchange for a permanent global note of that portion of this Temporary Global Note in respect of which such interest has accrued.

4. **NEGOTIABILITY**

This Temporary Global Note is negotiable and, accordingly, title to this Temporary Global Note shall pass by delivery.

5. **EXCHANGE**

On or after the day following the expiry of 40 days after the date of issue of this Global Note (the "**Exchange Date**"), the Issuer shall procure (in the case of first exchange) the delivery of a permanent global note (the "**Permanent Global Note**") in substantially the form set out in the First Schedule (*Form of Permanent Global Note*) to the Trust Deed to the bearer of this Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- 5.1 presentation and (in the case of final exchange) surrender of this Global Note at the specified office of the Principal Paying Agent; and

5.2 receipt by the Principal Paying Agent of a certificate or certificates issued by Euroclear and/or Clearstream, Luxembourg dated not earlier than the Exchange Date and in substantially the form set out in Schedule 3 (*Form of Euroclear/Clearstream, Luxembourg Certification*) hereto.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and received by the Principal Paying Agent; *provided, however, that* in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of this Temporary Global Note.

6. **WRITING DOWN**

On each occasion on which:

6.1 the Permanent Global Note is delivered or the principal amount thereof is increased in accordance with its terms in exchange for a further portion of this Global Note; or

6.2 Notes represented by this Temporary Global Note are to be cancelled in accordance with Condition 5(h) (*Redemption and Purchase - Cancellation*),

the Issuer shall procure that (a) the principal amount of the Permanent Global Note, the principal amount of such increase or (as the case may be) the aggregate principal amount of such Notes and (b) the remaining principal amount of this Temporary Global Note (which shall be the previous principal amount hereof *less* the aggregate of the amounts referred to in (a) are noted in Schedule 1 (*Payments, Exchange for Permanent Global Note and Cancellation of Notes*) hereto, whereupon the principal amount of this Temporary Global Note shall for all purposes be as most recently so noted.

7. **PAYMENTS**

All payments in respect of this Temporary Global Note shall be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of this Temporary Global Note at the Specified Office of any Paying Agent and shall be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of interest is made in respect of this Temporary Global Note, the Issuer shall procure that the same is noted in Schedule 1 (*Payments, Exchange for Permanent Global Note and Cancellation of Notes*) hereto.

8. **CONDITIONS APPLY**

Until this Temporary Global Note has been exchanged as provided herein or cancelled in accordance with the Paying Agency Agreement, the bearer of this Temporary Global Note shall be subject to the Conditions and, subject as otherwise provided herein, shall be entitled to the same rights and benefits under the Conditions as if the bearer were the holder of Notes in definitive form in substantially the form set out in the Second

Schedule (*Form of Definitive Note*) to the Trust Deed and the related interest coupons and talons for further interest coupons in the denomination of £1,000 and in an aggregate principal amount equal to the principal amount of this Global Note.

9. **AUTHENTICATION**

This Temporary Global Note shall not be valid for any purpose until it has been authenticated for and on behalf of Citibank, N.A. as principal paying agent.

10. **NOTICES**

Notwithstanding Condition 16 (*Notices*), while all the Notes are represented by this Global Note (or by this Global Note and a temporary global note) and this Global Note is (or this Global Note and a temporary global note are) deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

11. **GOVERNING LAW**

This Temporary Global Note and all matters arising from or connected with it are governed by, and shall be construed in accordance with, English law.

AS WITNESS the facsimile signature of a duly authorised person on behalf of the Issuer.

THREE VALLEYS WATER FINANCE PLC

By:

[*facsimile signature*]
(*duly authorised*)

ISSUED on 13 July 2004

AUTHENTICATED for and on behalf of

Citibank, N.A.

as principal paying agent

without recourse, warranty or liability

By:

[*manual signature*]
(*duly authorised*)

SCHEDULE 2
FORM OF ACCOUNTHOLDER'S CERTIFICATION

THREE VALLEYS WATER FINANCE PLC
*(incorporated with limited liability under
the laws of England and Wales with registered number 5139236)*

£200,000,000
5.875% Guaranteed Notes due 2026

guaranteed by

THREE VALLEYS WATER PLC
*(incorporated with limited liability under
the laws of England and Wales with registered number 2546950)*

This is to certify that as of the date hereof, and except as set forth below, the above-captioned Securities held by you for our account (a) are owned by persons that are not citizens or residents of the United States, domestic partnerships, domestic corporations or any estate or trust the income of which is subject to United States Federal income taxation regardless of its source ("**United States persons**"), (b) are owned by United States person(s) that (i) are foreign branches of a United States financial institution (as defined in U.S. Treasury Regulations Section 1.165-12(c)(1)(iv)) ("**financial institutions**") purchasing for their own account or for resale, or (ii) acquired the Securities through foreign branches of United States financial institutions and who hold the Securities through such United States financial institutions on the date hereof (and in either case (i) or (ii), each such United States financial institution hereby agrees, on its own behalf or through its agent, that you may advise the issuer or the issuer's agent that it will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder), or (c) are owned by United States or foreign financial institution(s) for purposes of resale during the restricted period (as defined in U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)), and in addition if the owner of the Securities is a United States or foreign financial institution described in clause (c) (whether or not also described in clause (a) or (b)) this is to further certify that such financial institution has not acquired the Securities for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

If the Securities are of the category contemplated in Section 230.903(b)(3) of Regulation S under the Securities Act of 1933, as amended (the "**Act**"), then this is also to certify that, except as set forth below, the Securities are beneficially owned by (1) non-U.S. person(s) or (2) U.S. person(s) who purchased the Securities in transactions which did not require registration under the Act. As used in this paragraph the term "**U.S. person**" has the meaning given to it by Regulation S under the Act.

As used herein, "**United States**" means the United States of America (including the States and the District of Columbia); and its "**possessions**" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

We undertake to advise you promptly by tested telex on or prior to the date on which you intend to submit your certification relating to the Securities held by you for our account in accordance with your operating procedures if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certification applies as of such date.

This certification excepts and does not relate to £[*amount*] of such interest in the above Securities in respect of which we are not able to certify and as to which we understand exchange and delivery of definitive Securities (or, if relevant, exercise of any rights or collection of any interest) cannot be made until we do so certify.

We understand that this certification is required in connection with certain tax laws and, if applicable, certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorise you to produce this certification to any interested party in such proceedings.

Dated: [*date*]

[name of account holder]
as, or as agent for,
the beneficial owner(s) of the Securities
to which this certificate relates.

By:

Authorised signatory

SCHEDULE 3
FORM OF EUROCLEAR/CLEARSTREAM, LUXEMBOURG CERTIFICATION

THREE VALLEYS WATER FINANCE PLC

*(incorporated with limited liability under
the laws of England and Wales with registered number 2546950)*

£200,000,000

5.875% Guaranteed Notes due 2026

guaranteed by

THREE VALLEYS WATER PLC

*(incorporated with limited liability under
the laws of England and Wales with registered number 2546950)*

This is to certify that, based solely on certifications we have received in writing, by tested telex or by electronic transmission from member organisations appearing in our records as persons being entitled to a portion of the principal amount set forth below (our "**Member Organisations**") substantially to the effect set forth in the temporary global note issued in respect of the securities, as of the date hereof, £200,000,000 principal amount of the above-captioned Securities (a) is owned by persons that are not citizens or residents of the United States, domestic partnerships, domestic corporations or any estate or trust the income of which is subject to United States Federal income taxation regardless of its source ("**United States persons**"), (b) is owned by United States persons that (i) are foreign branches of United States financial institutions (as defined in U.S. Treasury Regulations Section 1.165-12(c)(1)(iv)) ("**financial institutions**") purchasing for their own account or for resale, or (ii) acquired the Securities through foreign branches of United States financial institutions and who hold the Securities through such United States financial institutions on the date hereof (and in either case (i) or (ii), each such United States financial institution has agreed, on its own behalf or through its agent, that we may advise the Issuer or the Issuer's agent that it will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder), or (c) is owned by United States or foreign financial institutions for purposes of resale during the restricted period (as defined in U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)), and to the further effect that United States or foreign financial institutions described in clause (c) (whether or not also described in clause (a) or (b)) have certified that they have not acquired the Securities for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

If the Securities are of the category contemplated in Section 230.903(b)(3) of Regulation S under the Securities Act of 1933, as amended (the "**Act**"), then this is also to certify with respect to the principal amount of Securities set forth above that, except as set forth below, we have received in writing, by tested telex or by electronic transmission, from our Member Organisations entitled to a portion of such principal amount, certifications with respect to such portion substantially to the effect set forth in the temporary global note issued in respect of the Securities.

We further certify (1) that we are not making available herewith for exchange (or, if relevant, exercise of any rights or collection of any interest) any portion of the temporary global security excepted in such certifications and (2) that as of the date hereof we have not received any notification from any of our Member Organisations to the effect that the statements made by such Member Organisations with respect to any portion of the part submitted herewith for exchange (or, if relevant, exercise of any rights or collection of any interest) are no longer true and cannot be relied upon as of the date hereof.

We understand that this certification is required in connection with certain tax laws and, if applicable, certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorise you to produce this certification to any interested party in such proceedings.

Dated: *[date]*

Euroclear Bank S.A./N.V.
as operator of the Euroclear System

or

Clearstream Banking, société anonyme, Luxembourg

By:

Authorised signatory

SCHEDULE 4
TERMS AND CONDITIONS OF THE NOTES

Part B
Form of Original Permanent 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.

THREE VALLEYS WATER FINANCE PLC
*(incorporated with limited liability under
the laws of England and Wales with registered number 5139236)*

£200,000,000

5.875% Guaranteed Notes due 2026

guaranteed by

THREE VALLEYS WATER PLC
*(incorporated with limited liability under
the laws of England and Wales with registered number 2546950)*

PERMANENT GLOBAL NOTE

1. INTRODUCTION

This Global Note is issued in respect of the £200,000,000 5.875% Guaranteed Notes due 2026 (the "**Notes**") of Three Valleys Water Finance PLC (the "**Issuer**"). The Notes are subject to, and have the benefit of, a trust deed dated 13 July 2004 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer, Three Valleys Water PLC (the "**Guarantor**") and Citicorp Trustee Company Limited as trustee (the "**Trustee**", which expression includes all persons for the time being appointed trustee or trustees under the Trust Deed) and are the subject of a paying agency agreement dated 13 July 2004 (as amended or supplemented from time to time, the "**Agency Agreement**") and made between the Issuer, the Guarantor, Citibank, N.A. as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the Trustee.

2. REFERENCES TO CONDITIONS

Any reference herein to the "**Conditions**" is to the terms and conditions of the Notes set out in Schedule 2 (*Terms and Conditions of the Notes*) hereto and any reference to a numbered "**Condition**" is to the correspondingly numbered provision thereof. Words

and expressions defined in the Conditions shall have the same meanings when used in this Global Note.

3. **PROMISE TO PAY**

The Issuer, for value received, promises to pay to the bearer of this Global Note the principal sum of

£200,000,000

(TWO HUNDRED MILLION POUNDS)

on 13 July 2026 or on such earlier date or dates as the same may become payable in accordance with the Conditions, and to pay interest on such principal sum in arrear on the dates and at the rate specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

4. **NEGOTIABILITY**

This Global Note is negotiable and, accordingly, title to this Global Note shall pass by delivery.

5. **EXCHANGE**

This Global Note will be exchanged, in whole but not in part only, for Notes in definitive form ("**Definitive Notes**") in substantially the form set out in the Second Schedule (*Form of Definitive Note*) to the Trust Deed if either of the following events (each, an "**Exchange Event**") occurs:

- (a) Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") or Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**") is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
- (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

This Global Note will also become exchangeable, in whole but not in part only and at the option of the Issuer, for Definitive Notes if, by reason of any change in the laws of the United Kingdom, the Issuer, or as the case may be, the Guarantor, is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

5. **DELIVERY OF DEFINITIVE NOTES**

Whenever this Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery of such Definitive Notes, duly authenticated and with interest coupons ("**Coupons**") and talons for further Coupons ("**Talons**") attached, in an aggregate principal amount equal to the principal amount of this Global Note to the bearer of this Global Note against the surrender of this Global Note at the Specified

Office (as defined in the Conditions) of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

8. **WRITING DOWN**

On each occasion on which:

- (a) a payment of principal is made in respect of this Global Note;
- (b) Definitive Notes are delivered; or
- (c) Notes represented by this Global Note are to be cancelled in accordance with Condition 5(h) (*Redemption and Purchase - Cancellation*),

the Issuer shall procure that (i) the amount of such payment and the aggregate principal amount of such Notes and (ii) the remaining principal amount of this Global Note (which shall be the previous principal amount hereof *less* the aggregate of the amounts referred to in (i) above) are noted in Schedule 1 (*Payments, Delivery of Definitive Notes and Cancellation of Notes*) hereto, whereupon the principal amount of this Global Note shall for all purposes be as most recently so noted.

6. **WRITING UP**

If this Global Note was originally issued in exchange for part only of a temporary global note representing the Notes, then, if at any time any further portion of such temporary global note is exchanged for an interest in this Global Note, the principal amount of this Global Note shall be increased by the amount of such further portion, and the Issuer shall procure that the principal amount of this Global Note (which shall be the previous principal amount hereof *plus* the amount of such further portion) is noted in Schedule 1 hereto, whereupon the principal amount of this Global Note shall for all purposes be as most recently so noted.

7. **PAYMENTS**

All payments in respect of this Global Note shall be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of this Global Note at the specified office of any Paying Agent and shall be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of interest is made in respect of this Global Note, the Issuer shall procure that the same is noted in Schedule 1 hereto.

8. **CONDITIONS APPLY**

Until this Global Note has been exchanged as provided herein or cancelled in accordance with the Paying Agency Agreement, the bearer of this Global Note shall be subject to the Conditions and, subject as otherwise provided herein, shall be entitled to the same rights and benefits under the Conditions as if it were the holder of Definitive Notes and the related Talons and Coupons in the denomination of £1,000 and in an aggregate principal amount equal to the principal amount of this Global Note.

9. **EXERCISE OF PUT OPTION**

In order to exercise the option contained in Condition 5(c) (*Redemption at the option of Noteholders*) (the "**Put Option**"), the bearer of this Global Note must, within the period specified in the Conditions for the deposit of the relevant Note Certificate and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which the Put Option is being exercised. Any such notice shall be irrevocable and may not be withdrawn.

10. **EXERCISE OF CALL OPTION**

In connection with an exercise of the option contained in Condition 5(d) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, this Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions.

11. **AUTHENTICATION**

This Global Note shall not be valid for any purpose until it has been authenticated for and on behalf of Principal Paying Agent as principal paying agent.

12. **NOTICES**

Notwithstanding Condition 16 (*Notices*), while all the Notes are represented by this Global Note (or by this Global Note and a temporary global note) and this Global Note is (or this Global Note and a temporary global note are) deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

13. **GOVERNING LAW**

This Global Note and all matters arising from or connected with it are governed by, and shall be construed in accordance with, English law.

AS WITNESS the facsimile signature of a duly authorised person on behalf of the Issuer.

THREE VALLEYS WATER FINANCE PLC

By:
[facsimile signature]
(duly authorised)

ISSUED as of 13 July 2004

AUTHENTICATED for and on behalf of
Citibank, N.A.
as principal paying agent
without recourse, warranty or liability

By:

[manual signature]

(duly authorised)

SCHEDULE 2
TERMS AND CONDITIONS OF THE NOTES

SCHEDULE 2

Part A

Form of Definitive 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.

THREE VALLEYS WATER FINANCE PLC

*(incorporated with limited liability under
the laws of England and Wales with registered number 5139236)*

£200,000,000

5.875% Guaranteed Notes due 2026

guaranteed by

THREE VALLEYS WATER PLC

*(incorporated with limited liability under
the laws of England and Wales with registered number 2546950)*

This Note is one of a series of notes (the "Notes") in the denomination of £1,000, £10,000 and £100,000, and in the aggregate principal amount of £200,000,000 issued by Three Valleys Water Finance PLC (the "Issuer"). The Notes are subject to, and have the benefit of, a trust deed dated 13 July 2004 between the Issuer, Three Valleys Water Finance PLC as guarantor and Citicorp Trustee Company Limited as trustee for the holders of the Notes from time to time.

The Issuer, for value received, promises to pay to the bearer the principal sum of

£200,000,000

(TWO HUNDRED MILLION POUNDS)

on 13 July 2026, or on such earlier date or dates as the same may become payable in accordance with the conditions endorsed hereon (the "Conditions"), and to pay interest on such principal sum in arrear on the dates and at the rate specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

Interest is payable on the above principal sum at the rate of $5\frac{7}{8}$ per cent. per annum, payable annually in arrear on 13 July each year, all subject to and in accordance with the Conditions.

This Note and the interest coupons and talons relating hereto shall not be valid for any purpose until this Note has been authenticated for and on behalf of Citibank, N.A. as principal paying agent.

AS WITNESS the facsimile signature of a duly authorised person on behalf of the Issuer.

THREE VALLEYS WATER FINANCE PLC

By:

[facsimile signature]
(*duly authorised*)

ISSUED as of [date]

AUTHENTICATED for and on behalf of
Citibank, N.A.

As principal paying agent
without recourse, warranty or liability

By:

[*manual signature*]
(*duly authorised*)

[On the reverse of the Note:]

TERMS AND CONDITIONS

[At the foot of the Terms and Conditions:]

PRINCIPAL PAYING AGENT

**Citibank, N.A.
5 Carmelite Street
London EC4Y 0PA**

Part B
Terms and Conditions of the Notes

Part C
Form of Original Coupon

[On the face of the Coupon:]

THREE VALLEYS WATER FINANCE PLC
£200,000,000 5.875% Guaranteed Notes due 2026

Coupon for £*[amount of interest payment]* due on *[interest payment date]*.

Such amount is payable, subject to the terms and conditions (the "**Conditions**") endorsed on the Note to which this Coupon relates (which are binding on the holder of this Coupon whether or not it is for the time being attached to such Note), against presentation and surrender of this Coupon at the specified office for the time being of any of the agents shown on the reverse of this Coupon (or any successor or additional agents appointed from time to time in accordance with the Conditions).

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.

[On the reverse of the Coupon:]

PRINCIPAL PAYING AGENT

Citibank, N.A.
5 Carmelite Street
London EC4Y 0PA

Part D
Form of Talon

[On the face of the Talon:]

THREE VALLEYS WATER FINANCE PLC
£200,000,000 5.875% Guaranteed Notes due 2026

Talon for further Coupons

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of the Coupon Sheet to which this Talon is (or was at the time of issue) attached, this Talon may be exchanged at the specified office for the time being of the principal paying agent shown on the reverse of this Talon (or any successor principal paying agent appointed from time to time in accordance with the terms and conditions (the "Conditions") of the Notes to which this Talon relates) for a further Coupon Sheet (including a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to the Conditions).

The Note to which this Talon relates may, in certain circumstances specified in the Conditions, fall due for redemption before the maturity date of such final Coupon. In such event, this Talon shall become void and no Coupon will be delivered in respect hereof.

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.

[On the reverse of the Talon:]

Principal Paying Agent

Citibank, N.A.
5 Carmelite Street
London EC4Y 0PA

SCHEDULE 3
PROVISIONS FOR MEETINGS OF NOTEHOLDERS

1. **Definitions**

In this Trust Deed and the Conditions, the following expressions have the following meanings:

"Block Voting Instruction" means, in relation to any Meeting, a document in the English language issued by a Paying Agent:

- (a) certifying that certain specified Notes (each a **"Deposited Note"**) have been deposited with such Paying Agent (or to its order at a bank or other depositary) or blocked in an account with a clearing system and will not be released until the earlier of:
 - (a) the conclusion of the Meeting; and
 - (b) the surrender to such Paying Agent, not less than 48 hours before the time fixed for the Meeting (or, if the Meeting has been adjourned, the time fixed for its resumption), of the receipt for the deposited or blocked Notes and notification thereof by such Paying Agent to the Issuer, the Guarantor and the Trustee; and
- (b) certifying that the depositor of each Deposited Note or a duly authorised person on its behalf has instructed the relevant Paying Agent that the votes attributable to such Deposited Note are to be cast in a particular way on each resolution to be put to the Meeting and that, during the period of 48 hours before the time fixed for the Meeting, such instructions may not be amended or revoked;
- (c) listing the total number and (if in definitive form) the certificate numbers of the Deposited Notes, distinguishing for each resolution between those in respect of which instructions have been given to vote for, or against, the resolution; and
- (d) authorising a named individual or individuals to vote in respect of the Deposited Notes in accordance with such instructions.

"Chairman" means, in relation to any Meeting, the individual who takes the chair in accordance with paragraph 7 (*Chairman*).

"Extraordinary Resolution" means a resolution passed at a Meeting duly convened and held in accordance with this Schedule by a majority of not less than three quarters of the votes cast.

"Meeting" means a meeting of Noteholders (whether originally convened or resumed following an adjournment).

"Proxy" means, in relation to any Meeting, a person appointed to vote under a Block Voting Instruction other than:

- (a) any such person whose appointment has been revoked and in relation to whom the relevant Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such Meeting; and
- (b) any such person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the Meeting when it is resumed;

"Relevant Fraction" means:

- (a) for all business other than voting on an Extraordinary Resolution, one tenth;
- (b) for voting on any Extraordinary Resolution other than one relating to a Reserved Matter, more than half; and
- (c) for voting on any Extraordinary Resolution relating to a Reserved Matter, three quarters;

provided, however, that, in the case of a Meeting which has resumed after adjournment for want of a quorum, it means:

- (i) for all business other than voting on an Extraordinary Resolution relating to a Reserved Matter, the fraction of the aggregate principal amount of the outstanding Notes represented or held by the Voters actually present at the Meeting; and
- (ii) for voting on any Extraordinary Resolution relating to a Reserved Matter, one third.

"Reserved Matter" means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;
- (b) to effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer, the Guarantor or any other person or body corporate formed or to be formed (other than as permitted under Clause 7.3 and 7.4 of this Trust Deed);
- (c) to change the currency in which amounts due in respect of the Notes are payable (other than any redenomination of the Notes into Euro pursuant to Condition 17 (*Redenomination, Renominalisation and Reconventioning*));

- (d) to modify any provision of the Guarantee of the Notes (other than as permitted under Clause 7.3 or 7.4 of this Trust Deed);
- (e) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
- (f) to amend this definition.

"Voter" means, in relation to any Meeting, the bearer of a Voting Certificate, Proxy or the bearer of a definitive Note who produces such definitive Note at the Meeting.

"Voting Certificate" means, in relation to any Meeting, a certificate in the English language issued by a Paying Agent and dated in which it is stated:

- (a) that certain specified Notes (the "Deposited Notes") have been deposited with such Paying Agent (or to its order at a bank or other depository) or blocked in an account with a clearing system and will not be released until the earlier of:
 - (i) the conclusion of the Meeting; and
 - (ii) the surrender of such certificate to such Paying Agent; and
- (b) that the bearer of such certificate is entitled to attend and vote at the Meeting in respect of the Deposited Notes.

"Written Resolution" means a resolution in writing signed by or on behalf of all holders of Notes who for the time being are entitled to receive notice of a Meeting in accordance with the provisions of this Schedule, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes.

"24 hours" means a period of 24 hours including all or part of a day (disregarding for this purpose the day upon which such Meeting is to be held) upon which banks are open for business in both the place where the relevant Meeting is to be held and in each of the places where the Paying Agents have their Specified Offices and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid; and

"48 hours" means 2 consecutive periods of 24 hours.

2. **Issue of Voting Certificates and Block Voting Instructions**

The holder of a Note may obtain a Voting Certificate from any Paying Agent or require any Paying Agent to issue a Block Voting Instruction by depositing such Note with such Paying Agent or arranging for such Note to be (to its satisfaction) held to its order or under its control or blocked in an account with a clearing system not later than 48 hours before the time fixed for the relevant Meeting. A Voting Certificate or Block Voting Instruction shall be valid until the release of the deposited Notes to which it relates. So long as a Voting Certificate or Block Voting Instruction is valid, the bearer

thereof (in the case of a Voting Certificate) or any Proxy named therein (in the case of a Block Voting Instruction) shall be deemed to be the holder of the Notes to which it relates for all purposes in connection with the Meeting. A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Note.

3. **References to deposit/release of Notes**

Where Notes are within Euroclear or Clearstream, Luxembourg or any other clearing system, references to the deposit, or release, of Notes shall be construed in accordance with the usual practices (including blocking the relevant account) of Euroclear or Clearstream, Luxembourg or such other clearing system.

4. **Validity of Block Voting Instructions**

Block Voting Instruction shall be valid only if deposited at the Specified Office of the relevant Paying Agent or at some other place approved by the Trustee, at least 24 hours before the time fixed for the relevant Meeting or the Chairman decides otherwise before the Meeting proceeds to business. If the Trustee requires, a notarised copy of each Block Voting Instruction and satisfactory proof of the identity of each Proxy named therein shall be produced at the Meeting, but the Trustee shall not be obliged to investigate the validity of any Block Voting Instruction or the authority of any Proxy.

5. **Convening of Meeting**

The Issuer and the Guarantor (acting together) or the Trustee may convene a Meeting at any time, and the Trustee shall be obliged to do so subject to its being indemnified and/or secured to its satisfaction upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. Every Meeting shall be held on a date, and at a time and place, approved by the Trustee.

6. **Notice**

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the relevant Meeting is to be held) specifying the date, time and place of the Meeting shall be given to the Noteholders and the Paying Agents (with a copy to the Issuer) and the Guarantor where the Meeting is convened by the Trustee or, where the Meeting is convened by the Issuer and the Guarantor, the Trustee. The notice shall set out the full text of any resolutions to be proposed unless the Trustee agrees that the notice shall instead specify the nature of the resolutions without including the full text and shall state that the Notes may be deposited with, or to the order of, any Paying Agent for the purpose of obtaining Voting Certificates or appointing Proxies not later than 48 hours before the time fixed for the Meeting.

7. **Chairman**

An individual (who may, but need not, be a Noteholder) nominated in writing by the Trustee may take the chair at any Meeting but, if no such nomination is made or if the individual nominated is not present within 15 minutes after the time fixed for the Meeting, those present shall elect one of themselves to take the chair failing which, the Issuer or the Guarantor may appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was the Chairman of the original Meeting.

8. **Quorum**

The quorum at any Meeting shall be at least two Voters representing or holding not less than the Relevant Fraction of the aggregate principal amount of the outstanding Notes; *provided, however, that*, so long as at least the Relevant Fraction of the aggregate principal amount of the outstanding Notes is represented by the Temporary Global Note and the Permanent Global Note, a single Voter appointed in relation thereto or being the holder of the Notes represented thereby shall be deemed to be two Voters for the purpose of forming a quorum.

9. **Adjournment for want of quorum**

If within 15 minutes after the time fixed for any Meeting a quorum is not present, then:

- (a) in the case of a Meeting requested by Noteholders, it shall be dissolved; and
- (b) in the case of any other Meeting (unless the Issuer, the Guarantor and the Trustee otherwise agree), it shall be adjourned for such period (which shall be not less than 14 days and not more than 42 days) and to such place as the Chairman determines (with the approval of the Trustee); *provided, however, that*:
 - (i) the Meeting shall be dissolved if the Issuer, the Guarantor and the Trustee together so decide; and
 - (ii) no Meeting may be adjourned more than once for want of a quorum.

10. **Adjourned Meeting**

The Chairman may, with the consent of, and shall if directed by, any Meeting adjourn such Meeting from time to time and from place to place, but no business shall be transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place.

11. **Notice following adjournment**

Paragraph 6 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for want of a quorum save that:

- (a) 10 days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be resumed) shall be sufficient; and
- (b) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

It shall not be necessary to give notice of the resumption of a Meeting which has been adjourned for any other reason.

12. **Participation**

The following may attend and speak at a Meeting:

- (a) Voters;

- (b) representatives of the Issuer, the Guarantor and the Trustee;
- (c) the financial advisers of the Issuer, the Guarantor and the Trustee;
- (d) the legal counsel to the Issuer, the Guarantor and the Trustee and such advisers; and
- (e) any other person approved by the Meeting or the Trustee.

13. **Show of hands**

Every question submitted to a Meeting shall be decided in the first instance by a show of hands. Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed, passed by a particular majority, rejected or rejected by a particular majority shall be conclusive, without proof of the number of votes cast for, or against, the resolution. Where there is only one Voter, this paragraph shall not apply and the resolution will immediately be decided by means of a poll.

14. **Poll**

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Guarantor, the Trustee or one or more Voters representing or holding not less than one fiftieth of the aggregate principal amount of the outstanding Notes. The poll may be taken immediately or after such adjournment as the Chairman directs, but any poll demanded on the election of the Chairman or on any question of adjournment shall be taken at the Meeting without adjournment. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business as the Chairman directs.

15. **Votes**

Every Voter shall have:

- (a) on a show of hands, one vote; and
- (b) on a poll, one vote in respect of each £1,000 in aggregate face amount of the outstanding Note(s) represented or held by him.

Unless the terms of any Block Voting Instruction state otherwise, a Voter shall not be obliged to exercise all the votes to which he is entitled or to cast all the votes which he exercises in the same way. In the case of a voting tie the Chairman shall have a casting vote.

16. **Validity of Votes by Proxies**

Any vote by a Proxy in accordance with the relevant Block Voting Instruction shall be valid even if such Block Voting Instruction or any instruction pursuant to which it was given has been amended or revoked, provided that neither the Issuer, the Guarantor, the Trustee nor the Chairman has been notified in writing of such amendment or revocation by the time which is 24 hours before the time fixed for the relevant Meeting. Unless revoked, any appointment of a Proxy under a Block Voting Instruction in relation to a Meeting shall remain in force in relation to any resumption

of such Meeting following an adjournment; *provided, however, that* no such appointment of a Proxy in relation to a Meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such Meeting when it is resumed. Any person appointed to vote at such a Meeting must be re-appointed under a Block Voting Instruction to vote at the Meeting when it is resumed.

17. **Powers**

A Meeting shall have power (exercisable only by Extraordinary Resolution), without prejudice to any other powers conferred on it or any other person:

- (a) to approve any Reserved Matter;
- (b) to approve any proposal by the Issuer and the Guarantor (acting together) for any modification, abrogation, variation or compromise of any provisions of this Trust Deed or the Conditions or any arrangement in respect of the obligations of the Issuer under or in respect of the Notes;
- (c) to approve any proposal by the Guarantor for any modification of any provision of the Guarantee of the Notes or any arrangement in respect of the obligations of the Guarantor thereunder;
- (d) (other than as permitted under Clause 7.3 and 7.4 of this Trust Deed) to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes or the substitution of any person for the Guarantor as guarantor under the Guarantee of the Notes;
- (e) to waive any breach or authorise any proposed breach by the Issuer or the Guarantor of its obligations under or in respect of this Trust Deed or the Notes or any act or omission which might otherwise constitute an Event of Default under the Notes;
- (f) to remove any Trustee;
- (g) to approve the appointment of a new Trustee;
- (h) to authorise the Trustee (subject to its being indemnified and/or secured to its satisfaction) or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- (i) to discharge or exonerate the Trustee from any liability in respect of any act or omission for which it may become responsible under this Trust Deed or the Notes;
- (j) to give any other authorisation or approval which under this Trust Deed or the Notes is required to be given by Extraordinary Resolution; and
- (k) to appoint any persons as a committee to represent the interests of the Noteholders and to confer upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution.

18. **Extraordinary Resolution binds all holders**

An Extraordinary Resolution shall be binding upon all Noteholders and Couponholders, whether or not present at such Meeting, and each of the Noteholders shall be bound to give effect to it accordingly. Notice of the result of every vote on an Extraordinary Resolution shall be given to the Noteholders and the Paying Agents (with a copy to the Issuer, the Guarantor and the Trustee) within 14 days of the conclusion of the Meeting.

19. **Minutes**

Minutes of all resolutions and proceedings at each Meeting shall be made. The Chairman shall sign the minutes, which shall be *prima facie* evidence of the proceedings recorded therein. Unless and until the contrary is proved, every such Meeting in respect of the proceedings of which minutes have been summarised and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

20. **Written Resolution**

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

21. **Further regulations**

Subject to all other provisions contained in this Trust Deed, the Trustee may without the consent of the Issuer, the Guarantor or the Noteholders prescribe such further regulations regarding the holding of Meetings of Noteholders and attendance and voting at them as the Trustee may in its sole discretion determine.

22. **Several series**

The following provisions shall apply where outstanding Notes belong to more than one series:

- (a) Business which in the opinion of the Trustee affects the Notes of only one series shall be transacted at a separate Meeting of the holders of the Notes of that series.
- (b) Business which in the opinion of the Trustee affects the Notes of more than one series but does not give rise to an actual or potential conflict of interest between the holder of Notes of one such series and the holders of Notes of any other such series shall be transacted either at separate Meetings of the holders of the Notes of each such series or at a single Meeting of the holders of the Notes of all such Series, as the Trustee shall in its absolute discretion determine.
- (c) Business which in the opinion of the Trustee affects the Notes of more than one series and gives rise to an actual or potential conflict of interest between the holders of Notes of one such series and the holders of Notes of any other such series shall be transacted at separate Meetings of the holders of the Notes of each such series.

- (d) The preceding paragraphs of this Schedule shall be applied as if references to the Notes and Noteholders were to the Notes of the relevant series and to the holders of such Notes.
- (e) In this paragraph, "**business**" includes (without limitation) the passing or rejection of any resolution.

EXECUTION CLAUSES

EXECUTED as a deed by)
THREE VALLEYS)
WATER FINANCE PLC)
acting by)

Director

Director / Secretary

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WATER PLC)
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