

Dated 26 March 2015

THAMES WATER (KEMBLE) FINANCE PLC

and

KEMBLE WATER FINANCE LIMITED

and

DEUTSCHE TRUSTEE COMPANY LIMITED

SUPPLEMENTAL DEED

relating to a security agreement dated 7 April 2011

Linklaters

Ref: L-231673

Linklaters LLP

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This supplemental deed (this “Supplemental Deed”) is made on 26 March 2015 by:

- (1) **Thames Water (Kemble) Finance PLC**, whose registered office is at Clearwater Court, Vastern Road, Reading RG1 8BD (registered number: 07516930) (the "**Issuer**");
- (2) **Kemble Water Finance Limited**, whose registered office is at Clearwater Court, Vastern Road, Reading RG1 8BD (registered number: 5819317) (the "**Guarantor**");
(the Issuer and the Guarantor together being the "**Chargors**"); and
- (3) **Deutsche Trustee Company Limited** whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB (the "**Security Trustee**").

Whereas:

- (A) The Chargors and the Security Trustee are parties to a security agreement dated 7 April 2011 (the "**Security Agreement**");
- (B) The Chargors and the Security Trustee wish to supplement the Security Agreement on the terms and conditions set out below.

Now this Supplemental Deed witnesses as follows:

1 Definitions and Interpretation

Unless otherwise defined in this Supplemental Deed or the context requires otherwise, words and expressions used in this Deed have the meanings and constructions ascribed to them in the Security Agreement.

2 Supplement to Security Agreement

With effect from the date of this Supplemental Deed (the "**Effective Date**"), the Security Agreement shall be supplemented so that it shall be read and construed for all purposes as set out in the Schedule hereto.

3 Effect as a Deed

3.1 This Supplemental Deed shall take effect as a deed on the date above written.

3.2 This Supplemental Deed is supplemental to the Security Agreement.

4 Counterparts

This Supplemental Deed 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 Supplemental Deed.

5 Governing Law and Enforcement

5.1 Governing law

This Supplemental Deed, and any non-contractual arrangements arising out of or in connection with it, shall be governed by English law.

5.2 Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Supplemental Deed.

In witness whereof the Issuer has caused this Supplemental Deed to be duly delivered as a deed the day and year first above mentioned.

THAMES WATER (KEMBLE) FINANCE PLC

Signed as a **DEED** by:

As attorney for **THAMES WATER (KEMBLE) FINANCE PLC**

[REDACTED]

In the presence of:

[REDACTED]

Name:

[REDACTED]
Authorised Signatory

Address:

**Clearwater Court
Vastern Road**

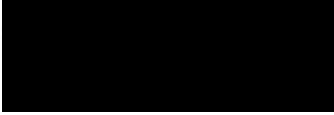
Occupation:

**Reading
Berkshire RG1 8DB**

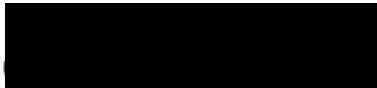
KEMBLE WATER FINANCE LIMITED


Signed as a **DEED** by:

As attorney for **KEMBLE WATER FINANCE LIMITED**



In the presence of:



Name:  **Authorised Signatory**

Address: **Clearwater Court
Vastern Road
Reading**

Occupation: **Berkshire RG1 8DB**

THE COMMON SEAL of DEUTSCHE TRUSTEE COMPANY LIMITED was affixed to this deed in the presence of:



.....
Associate Director



.....
Associate Director



**Schedule
Supplemental Security Agreement**

FIXED AND FLOATING SECURITY DOCUMENT

Dated 7 April 2011

THAMES WATER (KEMBLE) FINANCE PLC

and

KEMBLE WATER FINANCE LIMITED

as the Chargors

and

DEUTSCHE TRUSTEE COMPANY LIMITED

as the Security Trustee

Linklaters

Ref: L-231673

Linklaters LLP

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THIS DEED is dated 25 March 2011 and supplemented on 26 March 2015 and made between:

- (1) **Thames Water (Kemble) Finance PLC**, whose registered office is at Clearwater Court, Vastern Road, Reading RG1 8BD (registered number: 07516930) (the "**Issuer**");
- (2) **Kemble Water Finance Limited**, whose registered office is at Clearwater Court, Vastern Road, Reading RG1 8BD (registered number: 5819317) (the "**Guarantor**");
(the Issuer and the Guarantor together being the "**Chargors**"); and
- (3) **Deutsche Trustee Company Limited** whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB (the "**Security Trustee**").

Background

- (A) Each Chargor is entering into this Deed in connection with the Transaction Documents.
- (B) The Board of Directors of each Chargor is satisfied that entering into this Deed is for the purposes and to the benefit of that Chargor and its business.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed, the terms defined in the Intercreditor Agreement shall have the same meanings given to them therein and the following terms shall have the following meanings:

"**Administrator**" means an administrator appointed under Schedule B1 to the Insolvency Act 1986.

"**Automatic Acceleration**" has the meaning given to the term in the Intercreditor Agreement.

"**Bank Accounts**" means all current, deposit or other accounts with any bank or financial institution in which it now or in the future has an interest and (to the extent of its interest) all balances now or in the future standing to the credit of or accrued or accruing on those accounts.

"**Book Debts**" means all book and other debts of any nature, and all other rights to receive money (excluding Bank Accounts), now or in the future due, owing or payable to it and the benefit of all related negotiable instruments, rights, Security, guarantees and indemnities of any kind.

"**Business Day**" means a day (other than a Saturday or a Sunday) on which banks are open for general business in London.

"**Charged Property**" means the assets from time to time subject, or expressed to be subject, to the Charges or any part of those assets.

"**Charges**" means all or any of the Security created or expressed to be created by or pursuant to this Deed.

"**Currency of Account**" means the currency in which the relevant indebtedness is denominated or, if different, is payable.

"**Delegate**" means a delegate or sub-delegate appointed under Clause 14.7 (*Delegation*) or Clause 15.2 (*Delegation*).

"**Discharge Date**" has the meaning given to it in the Intercreditor Agreement.

"**Enforcement Time**" means any time following Automatic Acceleration and the receipt by the Security Trustee of a Special Decision of the Majority Secured Creditors approving the taking of Enforcement Action in relation to any Obligor pursuant to clause 7.1 (*Permitted Enforcement*) of the Intercreditor Agreement (each term as defined therein).

"**Fixtures**" means fixtures, fittings (including trade fixtures and fittings) and fixed plant, machinery and apparatus.

"**Group**" means the Guarantor and its Subsidiaries from time to time, excluding the Non-Regulated Group.

"**Holding Company**" of any other person, means a person in respect of which that other person is a Subsidiary.

"**Insolvency Act**" means the Insolvency Act 1986.

"**Intellectual Property**" means all trade marks, service marks, trade names, domain names, logos, get-up, patents, inventions, registered and unregistered design rights, copyrights, database rights, rights in confidential information and know-how, and any associated or similar rights anywhere in the world, which it now or in the future owns or (to the extent of its interest) in which it now or in the future has an interest (in each case whether registered or unregistered and including any related licences and sub-licences of the same granted by it or to it, applications and rights to apply for the same).

"**Intercreditor Agreement**" means the intercreditor agreement dated 25 March 2011 between, among others, the Issuer, the Guarantor and the Security Trustee.

"**Investments**" means:

- (a) securities and investments of any kind (including shares, stock, debentures, units, depository receipts, bonds, notes, commercial paper and certificates of deposit) other than the shares held by the Guarantor in ISIS Insurance Company Limited (a company registered in Guernsey with company registration number 42228);
- (b) warrants, options or other rights to subscribe for, purchase or otherwise acquire securities and investments;
- (c) all rights relating to securities and investments which are deposited with, or registered in the name of, any depository, custodian, nominee, clearing house or system, investment manager, chargee or other similar person or their nominee, in each case whether or not on a fungible basis (including rights against any such person); and
- (d) all other rights attaching or relating to securities or investments and all cash or other securities or investments in the future deriving from Investments or such rights, including (i) any dividend or interest paid or payable, (ii) any right, money or property accruing or offered at any time by way of redemption, substitution, exchange, bonus or preference, under option rights or otherwise, (iii) any right against any clearance system, and (iv) any

right under any custodian or other agreement, in each case in relation to that security or investment of any kind,

in each case now or in the future owned by it or held by any nominee on its behalf or (to the extent of its interest) in which it now or in the future has an interest.

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

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

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

"LPA" means the Law of Property Act 1925.

"LP(MP)A" means the Law of Property (Miscellaneous Provisions) Act 1989.

"New Bank Facilities Agreement" means the facilities agreement for certain term and revolving facilities between, among others, the Guarantor and the Original Lenders dated on or about the date of this Deed.

"Non-Regulated Group" means any Subsidiary of the Guarantor which is not a Holding Company of TWUL, other than:

- (a) TWUL or a Subsidiary of TWUL; and
- (b) the Issuer.

"Party" means a party to this Deed.

"Perfection Requirements" means the making of the appropriate registrations of this Deed with the Registrar of Companies, the Land Registry and the Land Charges Registry.

"Permitted Disposal" has the meaning given to it in the New Bank Facilities Agreement.

"Permitted Security" has the meaning given to it in the New Bank Facilities Agreement.

"Real Property" means freehold and leasehold property in England and Wales and other real property anywhere in the world (in each case including any estate or interest therein, all rights from time to time attached or relating thereto and all Fixtures from time to time therein or thereon).

"Receiver" means a receiver and manager or other receiver appointed in respect of the Charged Property and shall, if allowed by law, include an administrative receiver.

"Secured Creditors" has the meaning given to it in the Intercreditor Agreement.

"Secured Liabilities" means all the Liabilities and all other present and future obligations at any time due, owing or incurred by any Chargor to the Security Trustee (whether for its own account or as trustee for the Secured Creditors) or any of the other Secured Creditors under the Transaction Documents (including this Deed), both actual and contingent and whether incurred solely or jointly and as principal or surety or in any other capacity.

"Security" means a mortgage, charge, pledge, lien, assignment, encumbrance or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"Subsidiary" means a "subsidiary undertaking" within the meaning of section 1162 of the Companies Act 2006.

"Tax" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"Title Information Document" means a copy of the relevant entry on the Land Register.

"Transaction Documents" has the meaning given to it in the Intercreditor Agreement.

"TWUL" means Thames Water Utilities Limited.

"VAT" means value added tax as provided for in the Value Added Tax Act 1994 and legislation and regulations supplemental thereto and any other tax of a similar fiscal nature, whether imposed in the UK or elsewhere from time to time.

1.2 Construction

(a) Unless a contrary indication appears, any reference in this Deed to:

- (i) **"assets"** includes present and future properties, revenues and rights of every description;
- (ii) a **"Chargor"**, the **"Issuer"**, the **"Guarantor"**, the **"Security Trustee"** or any **"Party"** shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
- (iii) a **"Transaction Document"** or any other agreement or instrument is a reference to that Transaction Document or other agreement or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerous) or replaced and includes any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under that Transaction Document or other agreement or instrument;
- (iv) **"indebtedness"** includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
- (v) a **"person"** includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);

- (vi) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation; and
- (vii) a provision of law is a reference to that provision as amended or re-enacted.
- (b) Use of the singular shall include the plural and vice versa.
- (c) Clause and Schedule headings are for ease of reference only.
- (d) Unless a contrary indication appears, a term used in any other Transaction Document or in any notice given under or in connection with any Transaction Document has the same meaning in that Transaction Document or notice as in this Deed.
- (e) The terms of the other Transaction Documents are incorporated in this Deed to the extent required to give effect thereto and/or to ensure that any purported disposition contained in this Deed is a valid disposition in accordance with Section 2(1) of the LP(MP)A.
- (f) Unless the context otherwise requires, the term "**all its assets**" includes, with respect to the relevant entity, all of its undertaking and all of its property, assets and rights whatsoever and wheresoever present and future.
- (g) Unless the context otherwise requires, a reference to Charged Property includes the proceeds of sale of that Charged Property.
- (h) The term "**full title guarantee**" will be construed in accordance with the Law of Property (Miscellaneous) Provisions Act 1994 but so that the covenants implied by that Act in respect of the Security do not include section 6(2) of that Act.

1.3 **Third party rights**

A person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Deed, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

1.4 **Intercreditor Agreement**

- (a) This Deed and the rights and obligations of the Parties under this Deed, including any right of payment or repayment of any sums due from the Issuer or the Guarantor to a Party, are subject to the provisions of the Intercreditor Agreement and each of the Parties agrees to be bound by those provisions as if they had been set out in full in this Deed.
- (b) If there is any conflict between the provisions of the Intercreditor Agreement and the provisions of this Deed, the provisions of the Intercreditor Agreement will prevail.
- (c) The Security Trustee holds the benefit of the Security on trust for the Secured Creditors in accordance with the Intercreditor Agreement. Where under this Deed, the Security Trustee is entitled or required to exercise any of its powers, trusts, authorities, duties and discretions pursuant to this Deed, such exercise will be subject to the provisions of the Intercreditor Agreement.

2. **UNDERTAKING TO PAY**

Each Chargor shall pay to the Security Trustee, as trustee for the Secured Creditors, each of its Secured Liabilities when due in accordance with its terms or, if they do not specify a time for payment, immediately on demand by the Security Trustee, provided that every payment made to the Secured Creditors by the Chargors shall operate in *pro tanto* satisfaction of the relevant Secured Liabilities.

3. **FIXED CHARGES**

3.1 **Guarantor fixed charges**

The Guarantor, with full title guarantee and as security for the payment of all Secured Liabilities, charges in favour of the Security Trustee as trustee for the Secured Creditors:

- (a) by way of first legal mortgage, all Real Property in England and Wales now belonging to it;
- (b) by way of first fixed equitable charge, all other Real Property now belonging to it and all Real Property acquired by it in the future; and
- (c) by way of first fixed charge, all its present and future:
 - (i) Book Debts;
 - (ii) Bank Accounts; and
 - (iii) Investments (including in particular the shares described in Schedule 3 (*Investments*)).

3.2 **Issuer fixed charges**

The Issuer with full title guarantee and as security for the payment of all Secured Liabilities charges in favour of the Security Trustee, as trustee for the Secured Creditors, by way of first fixed charge, all its present and future:

- (a) Book Debts;
- (b) Bank Accounts; and
- (c) Investments.

4. **ASSIGNMENT**

4.1 **Guarantor assignment**

The Guarantor, with full title guarantee and as continuing security for the payment of all Secured Liabilities, assigns absolutely, or, to the extent not assignable, charges by way of a first fixed charge to the Security Trustee as trustee for the Secured Creditors all of its right, title, interest and benefit present and future in, to and under the Transaction Documents.

4.2 **Issuer assignment**

The Issuer, with full title guarantee and as continuing security for the payment of all Secured Liabilities, assigns absolutely, or, to the extent not assignable, charges by way of a first fixed

charge to the Security Trustee as trustee for the Secured Creditors all the Issuer's right, title, interest and benefit present and future in, to and under the Transaction Documents.

5. FLOATING CHARGE

5.1 Guarantor floating charge

The Guarantor, with full title guarantee and as security for the payment of all Secured Liabilities, charges in favour of the Security Trustee as trustee for the Secured Creditors by way of first floating charge its undertaking and all its assets, both present and future (including uncalled capital and assets expressed to be charged by Clause 3 (*Fixed Charges*)).

5.2 Issuer floating charge

The Issuer, with full title guarantee and as security for the payment of all Secured Liabilities, charges in favour of the Security Trustee, as trustee for the Secured Creditors by way of first floating charge its undertaking and all its assets, both present and future (including uncalled capital and assets expressed to be charged by Clause 3 (*Fixed Charges*)).

5.3 Qualifying Floating Charge

- (a) The floating Charge created by each of the Chargors pursuant to Clauses 5.1 (*Guarantor floating charge*) and 5.2 (*Issuer floating charge*) above is a "qualifying floating charge" for the purposes of paragraph 14.2(a) of Schedule B1 to the Insolvency Act.
- (b) Paragraph 14 of Schedule B1 to the Insolvency Act shall apply to this Deed and the Security Trustee may appoint an Administrator of either of the Chargors (as applicable) pursuant to that paragraph.

5.4 Ranking

The floating Charge created by each of the Chargors pursuant to this Clause 5 ranks:

- (a) behind all the fixed Charges created by that Chargor; but
- (b) in priority to any other Security over the Charged Property of that Chargor except for Security ranking in priority in accordance with paragraph (f) of Schedule 2 (*Rights of Receivers*).

5.5 Conversion by notice

The Security Trustee may convert the floating Charge over all or any of the Charged Property into a fixed Charge by notice to the Guarantor or, as applicable, the Issuer specifying the relevant Charged Property (either generally or specifically):

- (a) if it considers it desirable to do so in order to protect or preserve the Charges over that relevant Charged Property and/or the priority of those Charges; and/or
- (b) during an Enforcement Time.

5.6 Automatic conversion

- (a) If:
 - (i) any Chargor takes any step to create any Security in breach of Clause 6.1 (*Security*) over any of the Charged Property not subject to a fixed Charge; or

(ii) any person takes any step to effect any sale, transfer, disposition, expropriation, attachment, sequestration, distress or execution against any of the Charged Property, the floating Charge over the relevant Charged Property shall automatically and immediately be converted into a fixed Charge.

(b) The floating Charge created by this Clause 5.6 may not be converted into a fixed Charge solely by reason of:

- (i) the obtaining of a moratorium; or
- (ii) anything done with a view to obtaining a moratorium under Section 1A of the Insolvency Act.

6. RESTRICTIONS AND FURTHER ASSURANCE

6.1 Security

No Chargor shall create or permit to subsist any Security over any Charged Property except for:

- (a) the Charges;
- (b) any Permitted Security; and
- (c) any lien arising by operation of law and in the ordinary course of trading.

6.2 Disposal

No Chargor shall (nor agree to) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, license, sub-license, transfer or otherwise dispose of any Charged Property except for (i) a disposal in the ordinary course of trade of assets which are not then subject or expressed to be subject to a fixed Charge and the disposal of which is not prohibited by any Transaction Document and (ii) a Permitted Disposal.

6.3 Further assurance

Each Chargor shall promptly do whatever the Security Trustee requires:

- (a) to create, perfect or protect the Charges or the priority of the Charges; or
- (b) to facilitate the realisation of the Charged Property or the exercise of any rights, powers or discretions vested in the Security Trustee or any Receiver by the Security Trustee, any Receiver or any of its delegates or sub-delegates in respect of any Charged Property,

including executing any legal mortgage, transfer, conveyance, charge, assignment, assurance or other equivalent document in respect of the Charged Property (whether to the Security Trustee or its nominees or otherwise), making any registration and giving any notice, order or direction.

6.4 Release of Security

The Security over any Charged Property which is the subject of a Permitted Disposal will be promptly released by the Security Trustee upon request of the relevant Chargor. The Security Trustee is hereby authorised by each Secured Creditor and every party to this Deed to take all

steps that it considers necessary or desirable to effect such release and without the need for any further referral or authority from any person.

7. REAL PROPERTY

7.1 Acquisition

Each Chargor shall promptly notify the Security Trustee of its acquisition of, or agreement to acquire, any Real Property.

7.2 Documents

Each Chargor shall deposit with the Security Trustee, and the Security Trustee shall be entitled to hold, all title deeds and documents of title relating to each of that Chargor's present and future Real Property and all local land charges, land charges and Land Registry search certificates and similar documents received by or on behalf of that Chargor.

7.3 Future Real Property

In the case of a Chargor's future Real Property in England and Wales, that Chargor shall:

- (a) promptly apply to the Land Registry for first registration of that Real Property (where that Real Property is not already registered at the Land Registry) and registration of that Chargor as proprietor of that Real Property;
- (b) promptly apply to the Land Registry to register the first fixed equitable charge created by paragraph (b) of Clause 3.1 (*Guarantor fixed charges*);
- (c) promptly apply to the Land Registry requesting a restriction in the following form to be entered on the register of the title to that Real Property in respect of the Charge created by paragraph (b) of Clause 3.1 (*Guarantor fixed charges*):

"No disposition of the registered estate by the proprietor of the registered estate is to be registered without a written consent signed by the proprietor for the time being of the security agreement dated [●] in favour of [●] referred to in the charges register or their conveyancer (Standard Form P)";
- (d) promptly pay all appropriate registration fees; and
- (e) do any other act required of it in respect of granting Security over that Real Property,

or, if the Security Trustee gives notice to that Chargor that the Security Trustee will submit the relevant forms to the Land Registry, that Chargor shall promptly provide the Security Trustee with all duly completed forms reasonably requested by the Security Trustee and all appropriate registration fees.

If the consent of the landlord in whom the reversion of a lease is vested is required for the Chargor to execute a legal mortgage over it, the Chargor will not be required to perform that obligation unless and until it has obtained the landlord's consent. The Chargor must use its reasonable endeavours to obtain the landlord's consent.

7.4 Unregistered Real Property

In the case of a Chargor's Real Property in England and Wales, both present and future, which is not registered at the Land Registry and is not required to be so registered, that Chargor will

promptly apply to register this Deed and the Charges at the Land Charges Registry if the title deeds and documents are not deposited with the Security Trustee.

7.5 Legal charge

As security for the Secured Liabilities, each of the Chargors shall promptly execute and deliver to the Security Trustee such legal charge of such of its Real Property from time to time in England and/or Wales as the Security Trustee requires. The Chargors shall promptly apply to the Land Registry for registration of any such legal charge in the same way as set out in paragraphs (a)-(e) of Clause 7.3 (*Future Real Property*), unless the Security Trustee gives notice to that Chargor in relation to registration of such legal charge in the same way as set out in Clause 7.3 (*Future Real Property*).

7.6 Title Information Document

On completion of the registration of any Charge pursuant to this Clause 7, the Guarantor or the Issuer, as applicable, shall promptly supply to the Security Trustee a certified copy of the relevant Title Information Document issued by the Land Registry.

7.7 Compliance with obligations

Each of the Chargors shall comply in all material respects with any covenants, stipulations, conditions, licences, consents and any other statutory, regulatory or contractual obligations relating to its Real Property or its use, including those requiring payment of sums in respect of its Real Property.

7.8 Leases

Each of the Chargors shall:

- (a) comply in all material respects with all obligations imposed on it, and enforce the due observance and performance of all material obligations of all other persons of which it has the benefit, under any lease of Real Property;
- (b) not exercise any power to determine or extend, or accept the surrender of, any lease of Real Property of which it is the lessor; and
- (c) not exercise any of the powers of leasing or agreeing to lease any Real Property vested in or conferred on mortgagors by the general law.

7.9 Notices

Each of the Chargors shall produce to the Security Trustee within seven days of receipt by it a copy of every material communication made in connection with any of its Real Property and comply with the reasonable instructions of the Security Trustee in relation to any such communication.

8. BOOK DEBTS

8.1 Collection

Each of the Chargors shall promptly collect all Book Debts and shall hold the proceeds of collection on trust for the Security Trustee.

8.2 **Payment into designated Bank Account(s)**

Each of the Chargors shall immediately pay all moneys received or receivable by it from any source (including all proceeds of collection of Book Debts) into a Bank Account (or, if one or more Bank Accounts have been designated for this purpose by the Security Trustee, the relevant Bank Account(s)). The Security Trustee may designate different Bank Accounts for different moneys.

8.3 **Restrictions on dealing with Book Debts**

Without prejudice and in addition to Clauses 6.1 (*Security*), 6.2 (*Disposal*) and 6.3 (*Further assurance*):

- (a) except for the Charges, neither of the Chargors shall from the date of this Deed create or permit to subsist any Security over all or any part of any of its Book Debts; and
- (b) except as required by Clause 6.3 (*Further assurance*), neither of the Chargors shall (nor agree to) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, factor, transfer, set-off, net or otherwise dispose of all or any part of any of its Book Debts.

8.4 **Documents**

Each of the Chargors shall promptly execute and/or deliver to the Security Trustee such documents and/or carry out any act(s) relating to such of its Book Debts as the Security Trustee requires.

9. **BANK ACCOUNTS**

9.1 **Withdrawals before Enforcement Time**

Each of the Chargors shall before any Enforcement Time be entitled to receive, withdraw or otherwise transfer any credit balance from time to time on any Bank Account.

9.2 **Withdrawals following an Automatic Acceleration**

At any time following an Automatic Acceleration, neither of the Chargors shall be entitled to withdraw or otherwise transfer any credit balance from time to time on any Bank Account except with the prior written consent of the Security Trustee acting reasonably.

10. **INVESTMENTS**

10.1 **Acquisition**

Each of the Chargors shall promptly notify the Security Trustee of its acquisition of, or agreement to acquire, any Investment with an aggregate value or for an aggregate consideration of over £50,000,000 or the equivalent in another currency.

10.2 **Thames Water Limited shares**

The Guarantor hereby represents to the Security Trustee, acting on behalf of the Secured Creditors, that as at the date of this Deed it holds or has held to its order or on its behalf the entire issued share capital in Thames Water Limited.

10.3 **Documents**

Each of the Chargors shall:

- (a) except to the extent the Security Trustee notifies the Chargors from time to time to the contrary, deposit promptly with the Security Trustee, or as it directs, all certificates representing its Investments; and
- (b) execute and/or deliver promptly to the Security Trustee such other documents relating to its Investments, including transfers of Investments executed in blank, as the Security Trustee requires.

10.4 **Before enforcement**

Subject to Clause 10.5 (*After enforcement*), each of the Chargors shall be entitled to:

- (a) exercise or direct the exercise of the voting and other rights attached to any Investment as it sees fit provided that:
 - (i) it does so for a purpose not inconsistent with any Transaction Document; and
 - (ii) the exercise of or failure to exercise those rights would not have an adverse effect on the value of the relevant Investment or the Charged Property and would not otherwise prejudice the interests of the Secured Creditors under any Transaction Document; and
- (b) receive all dividends, interest and other monies arising from the Investments, such amounts to be paid promptly into a Bank Account.

10.5 **After enforcement**

During any Enforcement Time:

- (a) the Security Trustee or the Receiver shall be entitled to exercise or direct the exercise of the voting and other rights attached to any Investment in such manner as it or he sees fit; and
- (b) each Chargor shall comply or procure the compliance with any directions of the Security Trustee or the Receiver in respect of the exercise of those rights and shall promptly execute and/or deliver to the Security Trustee or the Receiver such forms of proxy as it or he requires with a view to enabling such person as it or he selects to exercise those rights.

10.6 **Changes to rights**

Each Chargor must not take or allow the taking of any action on its behalf which may result in the rights attaching to any of the Investments being altered.

10.7 **Calls**

- (a) Each Chargor must pay all calls or other payments due and payable in respect of any Investment.
- (b) If a Chargor fails to pay the amount in sub-paragraph (a), the Security Trustee may pay the calls or other payments on behalf of that Chargor. Each Chargor must immediately on request reimburse the Security Trustee for any payment made by the Security Trustee under this Clause 10.7.

10.8 **Other obligations in respect of Investments**

- (a) Each Chargor must promptly copy to the Security Trustee and comply with all requests for information which is within its knowledge and which are made under any law or regulation or by any listing or other authority or any similar provision contained in any articles of association or other constitutional documents relating to any of its Charged Property. If it fails to do so, the Security Trustee may elect to provide any information which it may have on behalf of that Chargor.
- (b) Each Chargor must comply with all other conditions and obligations assumed by it in respect of any Investment.
- (c) The Security Trustee is not obliged to:
 - (i) perform any obligation of any Chargor;
 - (ii) make any payment;
 - (iii) make any enquiry as to the nature or sufficiency of any payment received by it or any Chargor; or
 - (iv) present or file any claim or take any other action to collect or enforce the payment of any amount to which it may be entitled under this Deed,in respect of any Investment.

10.9 **Power of attorney**

If any Investment of a Chargor is not held in a Chargor's name, the Chargor shall promptly deliver to the Security Trustee an irrevocable power of attorney, expressed to be given by way of security and executed as a deed by the person in whose name that Investment is held. That power of attorney shall appoint the Security Trustee, each Receiver and each Delegate, as the attorney of the holder and shall be in such form as the Security Trustee requires.

10.10 **Communications**

The Guarantor shall promptly execute and/or deliver to the Security Trustee a copy of each circular, notice, report, set of accounts or other document received by it or its nominee in connection with any Investment (and the exercise of those rights under the Investment) as the Security Trustee requires for the purpose of this Clause 10.

11. **INTELLECTUAL PROPERTY**

11.1 **Acquisition**

Each of the Chargors shall promptly notify the Security Trustee of its becoming the legal and/or beneficial owner of or of its acquisition of, or agreement to acquire, (by licence or otherwise) any Intellectual Property, and any application by it or on its behalf to register any Intellectual Property.

11.2 **Documents**

Each of the Chargors shall promptly execute and/or deliver to the Security Trustee such documents relating to its Intellectual Property as the Security Trustee requires.

11.3 **Maintenance**

Each of the Chargors shall take all necessary action to safeguard, maintain in full force and effect and preserve its ability to enforce its present and future ownership and rights in connection with all Intellectual Property used in or necessary for the conduct of its business from time to time, including:

- (a) paying all renewal fees and other outgoings relating to all registered Intellectual Property held by it;
- (b) performing and complying with all laws and obligations to which it is subject as registered proprietor, beneficial owner, user, licensor or licensee of any such Intellectual Property;
- (c) not discontinuing the use of any such Intellectual Property;
- (d) obtaining registrations for Intellectual Property where registration is desirable in order to preserve and/ or validate the Intellectual Property rights or interests of the Guarantor and/or the Issuer, as applicable; and
- (e) commencing and diligently undertaking the prosecution of infringement actions or oppositions where appropriate against third parties where failure to do so would compromise the Intellectual Property rights or interests of the Guarantor and/or the Issuer, as applicable.

11.4 **Grant**

Without prejudice to Clause 6.2 (*Disposal*), neither the Guarantor nor the Issuer shall grant any exclusive registered user agreement or exclusive licence in relation to any of its present or future Intellectual Property.

12. **GENERAL UNDERTAKINGS**

12.1 **Perfection Requirements**

The relevant Chargor shall promptly comply with all Perfection Requirements.

12.2 **No other prejudicial conduct**

No Chargor shall do, or permit to be done, anything which could prejudice the Charges.

12.3 **Notice of Charge**

Each of the Chargors shall, promptly deliver to each account bank notices of charge substantially in the form set out in Part I of Schedule 4 (*Forms of Letter for Account Bank*) (or in such other form as is acceptable to the Security Trustee) and shall use all reasonable endeavours to ensure that each of the banks or financial institutions with which any of the Bank Accounts are opened or maintained promptly signs and returns the form of acknowledgement set out in Part II of Schedule 4 (*Forms of Letter for Account Bank*) (or such other form as is acceptable to the Security Trustee).

12.4 **Notice of Assignment**

Each of the Chargors shall, promptly deliver to each counterparty notices of assignment substantially in the form set out in Part I of Schedule 5 (*Forms of Letter for Transaction*)

Documents) (or in such other form as is acceptable to the Security Trustee) and shall use all reasonable endeavours to ensure that each recipient of any notice promptly signs and returns the form of acknowledgement set out in Part II of Schedule 5 (*Forms of Letter for Transaction Documents*) (or such other form as is acceptable to the Security Trustee).

13. ENFORCEMENT

13.1 When enforceable

As between the Chargors and the Security Trustee the Charges shall be enforceable, and the powers conferred by Section 101 of the LPA as varied and extended by this Deed shall be exercisable, during an Enforcement Time.

13.2 Power of sale

The statutory power of sale, of appointing a Receiver and the other statutory powers conferred on mortgagees by Section 101 of the LPA as varied and extended by this Deed shall arise on the date of this Deed.

13.3 Section 103 LPA

Section 103 of the LPA shall not apply to this Deed.

13.4 Enforcement in accordance with Intercreditor Agreement

Any enforcement action taken under this Deed by the Security Trustee, any Receiver or Delegate shall only be taken in accordance with Clause 7 (*Entitlement to Enforce*) of the Intercreditor Agreement.

14. APPOINTMENT AND RIGHTS OF RECEIVERS

14.1 Appointment of Receivers

If:

- (a) requested by any Chargor; or
- (b) any corporate action, legal proceedings or other procedure or step is taken in relation to the administration of any Chargor,

or at any time during an Enforcement Time, without any notice or further notice, the Security Trustee may, by deed, or otherwise in writing signed by any officer or manager of the Security Trustee or any person authorised for this purpose by the Security Trustee, appoint one or more persons to be a Receiver. The Security Trustee may similarly remove any Receiver and appoint any person instead of any Receiver. If the Security Trustee appoints more than one person as Receiver, the Security Trustee may give those persons power to act either jointly or severally.

14.2 Scope of appointment

Any Receiver may be appointed Receiver of all of the Charged Property or Receiver of a part of the Charged Property specified in the appointment. In the latter case, the rights conferred on a Receiver as set out in Schedule 2 (*Rights of Receivers*) shall have effect as though every reference in that Schedule to any Charged Property were a reference to the part of those assets so specified or any part of those assets.

14.3 **Rights of Receivers**

Any Receiver appointed pursuant to this Clause 14 shall have the rights, powers, privileges and immunities conferred by the Insolvency Act on administrative or other receivers duly appointed under the Insolvency Act, and shall also have the rights set out in Schedule 2 (*Rights of Receivers*).

14.4 **Agent of Chargor**

Any Receiver shall be the agent of the relevant Chargor for all purposes. That Chargor alone shall be responsible for the Receiver's contracts, engagements, acts, omissions, defaults and losses and for liabilities incurred by the Receiver.

14.5 **Remuneration**

The Security Trustee may determine the remuneration of any Receiver and direct payment of that remuneration out of moneys he receives as Receiver. The relevant Chargor alone shall be liable for the remuneration and all other costs, losses, liabilities and expenses of the Receiver.

14.6 **More than one Receiver**

If there is more than one Receiver holding office at the same time, each Receiver may (unless the document appointing him states otherwise) exercise all of the powers conferred on a Receiver under this Deed individually and to the exclusion of any other Receiver.

14.7 **Delegation**

Any Receiver may delegate to the extent permitted by law in any manner to any person any rights exercisable by such Receiver under any Transaction Document. Any such delegation may be made upon such terms and conditions (including power to sub-delegate) as such Receiver thinks fit.

15. **SECURITY TRUSTEE'S RIGHTS**

15.1 **Same rights as Receiver**

Any rights conferred by any Transaction Document upon a Receiver may be exercised by the Security Trustee, or to the extent permitted by law, an Administrator after the Charges become enforceable, whether or not the Security Trustee shall have taken possession or appointed a Receiver of the Charged Property.

15.2 **Delegation**

The Security Trustee may delegate in any manner to any person any rights exercisable by the Security Trustee under any Transaction Document. Any such delegation may be made upon such terms and conditions (including power to sub-delegate) as the Security Trustee thinks fit.

15.3 **Financial collateral arrangement**

To the extent that this Deed constitutes a "financial collateral arrangement" (as defined in the Financial Collateral Arrangements (No. 2) Regulations 2003 (the "**Regulations**")) the Security Trustee shall have the right:

- (a) to use and dispose of any Charged Property which constitutes "financial collateral" (as defined in the Regulations ("**Financial Collateral**")), in which case the Security Trustee

shall comply with the requirements of the Regulations as to obtaining "equivalent financial collateral" (as defined in the Regulations); and

- (b) (at any time after the Charges become enforceable) to appropriate any Charged Property which constitutes Financial Collateral in or towards satisfaction of the Secured Liabilities in accordance with the Regulations.

16. ORDER OF DISTRIBUTIONS

The Parties agree that all amounts received or recovered by the Security Trustee or any Receiver or Delegate in exercise of their rights under this Deed shall, subject to the rights of any creditors having priority, be applied in the order provided in clause 11 (*Application of Proceeds*) of the Intercreditor Agreement.

17. LIABILITY OF SECURITY TRUSTEE, RECEIVERS AND DELEGATES

17.1 Possession

If the Security Trustee, any Receiver or any Delegate takes possession of the Charged Property, it or he may at any time relinquish possession. Without prejudice to Clause 17.2 (*Security Trustee's liability*), neither the Security Trustee nor any Receiver or Delegate shall be liable as a mortgagee in possession by reason of viewing, entering or repairing any of the present or future assets of any Chargor, nor for any loss on realisation or for any default or omission for which a mortgagee in possession might be liable.

17.2 Security Trustee's liability

Neither the Security Trustee nor any Receiver or Delegate shall (either by reason of taking possession of the Charged Property or for any other reason and whether as mortgagee in possession or otherwise) be liable to any Chargor or any other person for any costs, losses, liabilities or expenses relating to the realisation of any Charged Property or from any act, default, omission or misconduct of the Security Trustee, any Receiver, any Delegate or their respective officers, employees or agents in relation to the Charged Property or in connection with the Transaction Documents except to the extent caused by its or his own gross negligence or wilful misconduct.

Neither the Security Trustee nor any Receiver will be in any way liable or responsible to the Chargors for loss or liability arising from any act, default, omission or misconduct on the part of any Delegate, provided that the Security Trustee or, as applicable, the Receiver has exercised reasonable care in the selection of such Delegate.

18. POWER OF ATTORNEY

18.1 Appointment

Each Chargor by way of security for the performance of the covenants and undertakings of each Chargor contained in this Deed irrevocably appoints the Security Trustee, every Receiver and every Delegate severally its true and lawful attorney (with full power of substitution), on its behalf and in its name or otherwise, at such time and in such manner as the attorney thinks fit:

- (a) to do anything which that Chargor is obliged to do (but has not done) under any Transaction Document to which it is party (including to execute charges over, transfers, conveyances, assignments and assurances of, and other instruments, notices, orders and directions relating to, the Charged Property);
- (b) to exercise any of the rights conferred on the Security Trustee, any Receiver or any Delegate in relation to the Charged Property or under any Transaction Document, the LPA or the Insolvency Act; and
- (c) anything desirable or necessary to protect the Charged Property.

All acts carried out under a power of attorney in accordance with this Clause 18.1 shall be valid and binding on the relevant Chargor.

18.2 **Ratification**

Each Chargor ratifies and confirms and agrees to ratify and confirm whatever any such attorney shall do in the exercise or purported exercise of the power of attorney granted by it in Clause 18.1 (*Appointment*).

19. **PROTECTION OF THIRD PARTIES**

19.1 **No duty to enquire**

No person dealing with the Security Trustee, any Receiver or any Delegate shall be concerned to enquire:

- (a) whether the rights conferred by or pursuant to any Transaction Document are exercisable;
- (b) whether any consents, regulations, restrictions or directions relating to such rights have been obtained or complied with;
- (c) otherwise as to the propriety or regularity of acts purporting or intended to be in exercise of any such rights; or
- (d) as to the application of any money borrowed or raised.

19.2 **Protection to purchasers**

All the protection to purchasers contained in Sections 104 and 107 of the LPA, Section 42(3) of the Insolvency Act or in any other applicable legislation shall apply to any person purchasing from or dealing with the Security Trustee, any Receiver or any Delegate.

20. **SAVING PROVISIONS**

20.1 **Continuing Security**

Subject to Clause 21 (*Discharge of Security*), the Charges are continuing Security and will extend to the ultimate balance of the Secured Liabilities, regardless of any intermediate payment or discharge in whole or in part.

20.2 **Reinstatement**

If any discharge, release or arrangement (whether in respect of the obligations of any Chargor or Obligor or any security for those obligations or otherwise) is made by the Security Trustee in

whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of each Chargor and Obligor and the Charges shall continue or be reinstated as if the payment, discharge or arrangement had not occurred.

20.3 **Waiver of defences**

Neither the obligations of each Chargor under this Deed nor the Charges will be affected by an act, omission, matter or thing which, but for this Clause 20, would reduce, release or prejudice any of its obligations under any Transaction Document or any of the Charges (without limitation and whether or not known to it or the Security Trustee) including:

- (a) any time, waiver or consent granted to, or composition with, any Chargor or other person;
- (b) the release of any other Chargor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Chargor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any Chargor, Obligor or any other person;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Transaction Document or any other document or security including without limitation any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Transaction Document or other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Transaction Document or any other document or security;
- (g) any insolvency or similar proceedings; or
- (h) any postponement, discharge, reduction, non-provability or other similar circumstance affecting any obligation of any Chargor or other person under any Transaction Document resulting from any insolvency, liquidation or dissolution proceedings or from any law, regulation or order.

20.4 **Immediate recourse**

Each Chargor waives any right it may have of first requiring the Security Trustee (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Chargor under this Deed. This waiver applies irrespective of any law or any provision of a Transaction Document to the contrary.

20.5 Appropriations

Until all the Secured Liabilities have been irrevocably paid in full and all facilities and notes which might give rise to Secured Liabilities have terminated, the Security Trustee (or any trustee or agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by the Security Trustee (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Chargor shall be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from any Chargor or on account of any Chargor's liability under this Deed.

20.6 Deferral of Chargors' rights

Until all the Secured Liabilities have been irrevocably paid in full and all facilities and all notes which might give rise to Secured Liabilities have terminated and unless the Security Trustee otherwise directs, no Chargor will exercise any rights which it may have by reason of performance by it of its obligations under the Transaction Documents or by reason of any amount being payable, or liability, arising under this Deed:

- (a) to be indemnified by a Chargor;
- (b) to claim any contribution from any other Chargor or guarantor of any Chargor's obligations under the Transaction Documents;
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Security Trustee under the Transaction Documents or of any other guarantee or security taken pursuant to, or in connection with, the Transaction Documents by the Security Trustee;
- (d) to bring legal or other proceedings for an order requiring any Chargor to make any payment, or perform any obligation, in respect of which any Chargor has given a guarantee, undertaking or indemnity;
- (e) to exercise any right of set-off against any Chargor; and/or
- (f) to claim or prove as a creditor of any Chargor in competition with the Security Trustee.

If a Chargor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Security Trustee by the Chargors under or in connection with the Transaction Documents to be repaid in full on trust for the Security Trustee and shall promptly pay or transfer the same to the Security Trustee or as the Security Trustee may direct for application in accordance with Clause 16 (*Order of distributions*).

20.7 Additional Security

The Charges are in addition to and are not in any way prejudiced by any other guarantees or security now or subsequently held by the Security Trustee in favour of the Secured Creditors or otherwise.

20.8 **Tacking**

The Security Trustee shall comply with or procure the compliance of its obligations under the Transaction Documents (including any obligation to make further advances).

21. **DISCHARGE OF SECURITY**

21.1 **Final redemption**

Subject to Clause 21.2 (*Retention of security*), on the Discharge Date and if the Security Trustee is satisfied that all the Secured Liabilities have been irrevocably paid finally and in full and that all facilities and all notes which might give rise to Secured Liabilities have terminated, the Security Trustee shall at the request and cost of the Chargors release, reassign or discharge (as appropriate) the Charged Property from the Charges.

21.2 **Retention of security**

If the Security Trustee considers that any amount paid or credited to it under any Transaction Document is capable of being avoided or otherwise set aside, that amount shall not be considered to have been paid for the purposes of determining whether all the Secured Liabilities have been irrevocably paid.

21.3 **Consolidation**

Section 93 of the LPA shall not apply to the Charges.

22. **EXPENSES AND INTEREST**

22.1 **Transaction expenses**

Each Chargor shall promptly on demand pay the Security Trustee the amount of all costs, losses, liabilities and expenses (including legal fees) incurred by it in connection with the negotiation, preparation, printing and execution of:

- (a) this Deed and any other documents referred to in this Deed; and
- (b) any other Transaction Documents.

22.2 **Amendment costs**

If a Chargor requests an amendment, waiver or consent that Chargor shall, within three Business Days of demand, reimburse the Security Trustee for the amount of all costs, losses, liabilities and expenses (including legal fees) incurred by the Security Trustee in responding to, evaluating, negotiating or complying with that request.

22.3 **Enforcement costs**

Each Chargor shall, within three Business Days of demand, pay to the Security Trustee the amount of all costs, losses, liabilities (without exception), damages, claims, demands and expenses (including legal fees) incurred by the Security Trustee, any Receiver or any Delegate in relation to the performance of its duties under any Transaction Document (including the administration, protection, realisation, enforcement or preservation of any rights under or in connection with any Transaction Document, or any consideration by the Security Trustee as to whether to realise or enforce the same, and/or any amendment, waiver, consent or release).

Each Chargor shall promptly indemnify the Security Trustee against all costs and expenses reasonably incurred by the Security Trustee for any failure or delay by such Chargor in paying any of the above costs and expenses, provided that any such failure or delay is not caused by an administrative or technical error or the payment is made within 5 Business Days of its due date.

22.4 Default interest

- (a) If a Chargor fails to pay any amount payable by it under a Transaction Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate equal to the sum of one per cent. and the rate (whatever called) then published by the Security Trustee as its base rate for advances in the Currency of Account calculated for successive interest periods, each of a duration selected by the Security Trustee (acting reasonably). Any interest accruing under this Clause 22.4 shall be immediately payable by the relevant Chargor on demand by the Security Trustee.
- (b) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each interest period applicable to that overdue amount but will remain immediately due and payable.

23. PAYMENTS

23.1 Demands

Any demand for payment made by the Security Trustee shall be valid and effective even if it contains no statement of the relevant Secured Liabilities or an inaccurate or incomplete statement of them.

23.2 Payments

All payments by any Chargor under this Deed (including damages for its breach) shall be made in the Currency of Account and to such account, with such financial institution and in such other manner as the Security Trustee may direct.

23.3 Continuation of accounts

At any time after:

- (a) the receipt by the Security Trustee of notice (either actual or otherwise) of any subsequent Security affecting the Charged Property; or
- (b) the presentation of a petition or the passing of a resolution in relation to the winding-up of any Chargor,

the Security Trustee may open a new account in the name of that Chargor with the Security Trustee (whether or not it permits any existing account to continue). If the Security Trustee does not open such a new account, it shall nevertheless be treated as if it had done so when the relevant event occurred. No moneys paid into any account, whether new or continuing, after that event shall discharge or reduce the amount recoverable pursuant to any Transaction Document to which that Chargor is party.

24. TAX GROSS-UP AND INDEMNITIES

24.1 Definitions

(a) In this Deed:

"**Tax Credit**" means a credit against, relief or remission for, or repayment of any Tax.

"**Tax Deduction**" means a deduction or withholding for or on account of Tax from a payment to the Security Trustee under a Transaction Document.

"**Tax Payment**" means an increased payment made by a Chargor to the Security Trustee under Clause 24.2 (*Tax gross-up*) or a payment under Clause 24.3 (*Tax indemnity*).

(b) Unless a contrary indication appears, in this Clause 24 a reference to "determines" or "determined" means a determination made in the absolute discretion of the person making the determination.

24.2 Tax gross-up

(a) Each Chargor shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

(b) A Chargor shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Security Trustee accordingly. Similarly, the Security Trustee shall notify that Chargor on becoming so aware in respect of a payment payable to it.

(c) If a Tax Deduction is required by law to be made by a Chargor, the amount of the payment due from that Chargor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

(d) If a Chargor is required to make a Tax Deduction, that Chargor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

(e) Within thirty days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Chargor making that Tax Deduction shall deliver a statement under section 975 of the Income Tax Act 2007 or other evidence reasonably satisfactory to the Security Trustee that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

24.3 Tax indemnity

(a) The Guarantor shall (within three Business Days of demand by the Security Trustee) pay to the Security Trustee, any Receiver and any Delegate an amount equal to the loss, liability or cost which it determines will be or has been (directly or indirectly) suffered for or on account of Tax by it in respect of a Transaction Document.

(b) Paragraph (a) above shall not apply:

(i) with respect to any Tax assessed on the Security Trustee, any Receiver or any Delegate:

(A) under the law of the jurisdiction in which the Security Trustee, any Receiver or any Delegate is incorporated or, if different, the jurisdiction (or jurisdictions) in which the Security Trustee, any Receiver or any Delegate is treated as resident for tax purposes; or

(B) under the law of the jurisdiction in which the Security Trustee's, any Receiver's or any Delegate's office through which it is acting in connection with this Deed is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by the Security Trustee, any Receiver or any Delegate; or

(ii) to the extent a loss, liability or cost is compensated for by an increased payment under Clause 24.2 (*Tax gross-up*).

24.4 **Tax Credit**

If a Chargor makes a Tax Payment and the Security Trustee, any Receiver or any Delegate determines that:

- (a) a Tax Credit is attributable to that Tax Payment; and
- (b) the Security Trustee, any Receiver or any Delegate has obtained, utilised and retained that Tax Credit,

the Security Trustee, any Receiver or any Delegate shall pay an amount to the Chargor which the Security Trustee, any Receiver or any Delegate determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been made by the Chargor.

24.5 **Stamp taxes**

The Guarantor shall pay and, within three Business Days of demand, indemnify the Security Trustee against any cost, loss or liability the Security Trustee incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Transaction Document.

24.6 **Value added tax**

- (a) All consideration expressed in a Transaction Document to be payable by a Chargor to the Security Trustee or any Receiver or Delegate shall be deemed to be exclusive of any VAT. If VAT is or becomes chargeable on any supply made by the Security Trustee or any Receiver or Delegate to any Party in connection with a Transaction Document, that Chargor shall pay to the Security Trustee, Receiver or Delegate (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of such VAT.
- (b) Where a Transaction Document requires a Chargor to reimburse the Security Trustee or any Receiver or Delegate for any cost or expense, that Chargor shall reimburse or indemnify (as the case may be) the Security Trustee, Receiver or Delegate for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Security Trustee, Receiver or Delegate reasonably determines it is entitled to credit or repayment in respect of such VAT from the relevant tax authority, provided that the words from and including "save to the extent" to and including "relevant tax authority" in this sub-Clause shall not apply to

amounts payable to the Security Trustee under Clauses 22 (*Expenses and Interest*) and 26 (*Other Indemnities*).

25. CONDUCT OF BUSINESS BY THE SECURITY TRUSTEE

No provision of this Deed will:

- (a) interfere with the right of the Security Trustee to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige the Security Trustee to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige the Security Trustee to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

26. OTHER INDEMNITIES

26.1 Currency indemnity

- (a) If any sum due from a Chargor under the Transaction Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

- (i) making or filing a claim or proof against that Chargor;
- (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Chargor shall as an independent obligation, within three Business Days of demand, indemnify the Security Trustee against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to the Security Trustee at the time of its receipt of that Sum.

- (b) Each Chargor agrees to waive any right it may have in any jurisdiction to pay any amount under the Transaction Documents in a currency or currency unit other than that in which it is expressed to be payable.

26.2 Indemnities separate

Each indemnity in each Transaction Document shall:

- (a) constitute a separate and independent obligation from the other equivalent obligations in that or any other Transaction Document;
- (b) give rise to a separate and independent cause of action;
- (c) apply irrespective of any indulgence granted by the Security Trustee;
- (d) continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any Liability or any other judgment or order;
- (e) survive termination of the relevant Transaction Document; and

- (f) apply whether or not any claim under it relates to any matter disclosed by any Chargor or otherwise known to the Security Trustee.

27. SET-OFF

The Security Trustee may set off any matured obligation due from a Chargor under the Transaction Documents (to the extent beneficially owned by the Security Trustee) against any matured obligation owed by the Security Trustee to that Chargor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Security Trustee may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

28. RIGHTS, AMENDMENTS, WAIVERS AND DETERMINATIONS

28.1 Ambiguity

Where there is any ambiguity or conflict between the rights conferred by law and those conferred by or pursuant to any Transaction Document, the terms of that Transaction Document shall prevail.

28.2 Remedies and waivers

No failure to exercise, nor any delay in exercising, on the part of the Security Trustee, Receiver or Delegate any right or remedy under the Transaction Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in the Transaction Documents are cumulative and not exclusive of any rights or remedies provided by law, including the right to appoint an Administrator under the Insolvency Act.

28.3 Amendments and waivers

Any term of this Deed may be amended or waived only with the consent of the Security Trustee and each Chargor.

28.4 Determinations

Any certification or determination by the Security Trustee or any Receiver or Delegate under any Transaction Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

29. PARTIAL INVALIDITY

If, at any time, any provision of the Transaction Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

30. SEPARATE AND INDEPENDENT OBLIGATIONS

Subject to the Existing Security, the Security created by each Chargor by or in connection with any Transaction Document is separate from and independent of the Security created or intended to be created by any other Chargor by or in connection with any Transaction Document.

31. NOTICES

31.1 Communications in writing

Any communication or document to be made or delivered under or in connection with the Transaction Documents shall be made or delivered in writing and, unless otherwise stated, may be made or delivered by fax or letter.

31.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Transaction Documents is, in the case of the Security Trustee and each Chargor, that address or fax number identified with such Party's name below, or any substitute address, fax number or department or officer as the Party may notify to the Security Trustee (or the Security Trustee may notify to the other Parties, if a change is made by the Security Trustee) by not less than five Business Days' notice.

31.3 Delivery

(a) Any communication or document made or delivered to a Chargor under or in connection with the Transaction Documents will only be effective:

- (i) if by way of fax, when received in legible form; or
- (ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 31.2 (*Addresses*), if addressed to that department or officer.

(b) Any communication or document to be made or delivered to the Security Trustee will be effective only when actually received by the Security Trustee and then only if it is expressly marked for the attention of the department or officer identified with the Security Trustee's signature below (or any substitute department or officer as the Security Trustee shall specify for this purpose).

(c) Any communication or document made or delivered to the Issuer in accordance with this Clause 31 will be deemed to have been made or delivered to each of the Chargors.

32. COUNTERPARTS

This Deed 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.

33. GOVERNING LAW

This Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

34. **JURISDICTION**

- (a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with the Transaction Documents (including a dispute relating to the existence, validity or termination of any Transaction Document or any non-contractual obligation arising out of or in connection with the Transaction Documents) (a "**Dispute**").
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 34 is for the benefit of the Security Trustee only. As a result, the Security Trustee shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Security Trustee may take concurrent proceedings in any number of jurisdictions.

This Deed has been delivered on the date stated at the beginning of this Deed.

SCHEDULE 1
THE CHARGORS

Name of Chargor	Registration number
Thames Water (Kemble) Finance PLC	07516930
Kemble Water Finance Limited	5819317

SCHEDULE 2
RIGHTS OF RECEIVERS

Any Receiver appointed pursuant to Clause 14 (*Appointment and rights of Receivers*) shall have the right, either in his own name or in the name of the relevant Chargor or otherwise and in such manner and upon such terms and conditions as the Receiver thinks fit, and either alone or jointly with any other person:

(a) **Enter into possession**

to take possession of, get in and collect the Charged Property, and to require payment to him or to the Security Trustee of any Book Debts or credit balance on any Bank Account;

(b) **Carry on business**

to manage and carry on any business of that Chargor in any manner he thinks fit;

(c) **Contracts**

to enter into any contract or arrangement and to perform, repudiate, rescind or vary any contract or arrangement to which that Chargor is a party;

(d) **Deal with Charged Property**

to sell, transfer, assign, exchange, hire out, lend or otherwise dispose of or realise the Charged Property (including any Fixtures, which may be sold separately from the related Real Property) to any person (including a new company formed pursuant to paragraph (e) (*Hive down*)) either by public offer or auction, tender or private contract and for a consideration of any kind (including cash, debentures or other obligations, shares, stock or other valuable consideration which may be payable or delivered in one amount or by instalments spread over a period or deferred as he thinks fit);

(e) **Hive down**

to form a new company and to subscribe for or acquire (for cash or otherwise) any investment in or of the new company and to sell, transfer, assign, exchange and otherwise dispose of or realise any such investments or part thereof or any rights attaching thereto;

(f) **Borrow money**

to borrow or raise money either unsecured or on the security of the Charged Property (either in priority to the Charges or otherwise) for whatever purpose he thinks fit;

(g) **Covenants and guarantees**

to enter into bonds, covenants, guarantees, indemnities and other commitments and to make all payments needed to effect, maintain or satisfy them;

(h) **Dealings with tenants**

to grant leases, tenancies, licences and rights of user, grant renewals and accept surrenders of leases, tenancies, licences or rights of user, and otherwise to reach agreements and make arrangements with, and to make allowances to, any lessees, tenants or other persons (including

a new company formed pursuant to paragraph (e) (*Hive down*)) from whom any rents and profits may be receivable (including those relating to the grant of any licences, the review of rent in accordance with the terms of, and the variation of, the provisions of any leases, tenancies, licences or rights of user affecting the Charged Property);

(i) **Rights of ownership**

to manage and use the Charged Property and to exercise and do (or permit that Chargor or any nominee of it to exercise and do) all such rights and things as the Receiver would be capable of exercising or doing if he were the absolute beneficial owner of the Charged Property;

(j) **Insurance, repairs, improvements etc.**

to insure the Charged Property on such terms as he thinks fit, to carry out decorations, repairs, alterations, improvements and additions to the Charged Property (including the development or redevelopment of any Real Property) and to purchase or otherwise acquire or do anything in connection with the Charged Property;

(k) **Claims**

to settle, adjust, refer to arbitration, compromise and arrange any claims, accounts, disputes, questions and demands with or by any person who is or claims to be a creditor of that Chargor or relating to the Charged Property;

(l) **Legal actions**

to bring, prosecute, enforce, defend and abandon actions, suits and proceedings in relation to the Charged Property or any business of that Chargor;

(m) **Redemption of Security**

to redeem any Security (whether or not having priority to the Charges) over the Charged Property and to settle the accounts of any person with an interest in the Charged Property;

(n) **Employees etc.**

to appoint, hire and employ officers, employees, contractors, agents, advisors and others and to discharge any such persons and any such persons appointed, hired or employed by that Chargor;

(o) **Insolvency Act**

to exercise all powers set out in Schedule 1, Schedule B1 or (in the case of a Scottish Receiver) Schedule 2 to the Insolvency Act as now in force (whether or not in force at the date of exercise and whether or not the Receiver is an administrative receiver) and any powers added to Schedule 1 or Schedule 2, as the case may be, after the date of this Deed; and

(p) **Other powers**

to do anything else he may think necessary or desirable for the realisation of the Charged Property or incidental or conducive to the exercise of any of the rights conferred on the Receiver under or by virtue of any Transaction Document to which the relevant Chargor is party, the LPA or the Insolvency Act.

SCHEDULE 3

INVESTMENTS

All shares in the capital of the Issuer and all shares in the capital of Thames Water Limited (with company number 02366623) held by, to the order or on behalf of the Guarantor at any time.

SCHEDULE 4
FORMS OF LETTER FOR ACCOUNT BANK

PART I
NOTICE TO ACCOUNT BANK
[On the letterhead of the Chargor]

To: [Account Bank]
Copy: Deutsche Trustee Company Limited

[Date]

Dear Sirs,

Fixed and Floating Security Document dated [●] 2011 (the “Security Agreement”)

This letter constitutes notice to you that under the Security Agreement we (the “**Chargor**”) have charged (by way of a first fixed charge) in favour of Deutsche Trustee Company Limited (the “**Security Trustee**”) all our rights in respect of any amount standing to the credit of the account maintained by us with you (Account no. [] sort code []) (the “**Account**”) and the debt represented by it.

With effect from the date of your receipt of this notice, you may continue to operate the Account in accordance with our instructions, until such time as the Security Trustee notifies you of the commencement of any Enforcement Time or occurrence of an Automatic Acceleration (as such terms are defined in the Security Agreement), and with effect from notification of the same to you by the Security Trustee, we irrevocably instruct and authorise you to:

- (a) disclose to the Security Trustee any information relating to the Account requested from you by the Security Trustee;
- (b) comply with the terms of any written notice or instruction relating to the Account received by you from the Security Trustee;
- (c) hold all sums standing to the credit of the Account to the order of the Security Trustee; and
- (d) pay or release any sum standing to the credit of the Account in accordance with the written instructions of the Security Trustee.

We acknowledge that you may comply with the instructions in this letter without any further permission from us or enquiry by you.

The instructions in this letter may not be revoked or amended without the prior written consent of the Security Trustee.

This letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

Please confirm your agreement to the above by sending the attached acknowledgement to the Security Trustee at [] with a copy to us.

Yours faithfully,

.....
(Authorised Signatory)
[Chargor]

PART II
ACKNOWLEDGEMENT OF ACCOUNT BANK
[On the letterhead of the Account Bank]

To: Deutsche Trustee Company Limited
Copy: [Chargor]

[Date]

Dear Sirs,

Fixed and Floating Security Document dated [●] 2011 (the “Security Agreement”)

We confirm receipt from [] (the “Chargor”) of a notice dated [] of a charge upon the terms of the Security Agreement over all the rights of the Chargor to any amount standing to the credit of its account with us (Account no. [], sort code []) (the “Account”) and the debt represented by it.

We confirm that we:

- (a) accept the instructions contained in the notice and agree to comply with the notice;
- (b) have not received notice of the interest of any third party in the Account (other than the Existing Security, as defined in the Security Agreement); and
- (c) have neither claimed nor exercised, nor will claim or exercise, any security interest, set-off, counter-claim or other right in respect of the Account.

This letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

Yours faithfully,

.....
(Authorised signatory)
[Account Bank]

By countersigning this letter the Security Trustee agrees to the Account Bank paying all accrued interest on each Account to the Chargor in accordance with its normal business terms.

Yours faithfully,

.....
(Authorised signatory)

Deutsche Trustee Company Limited
As Security Trustee

SCHEDULE 5
FORMS OF LETTER FOR TRANSACTION DOCUMENTS
PART I
NOTICE TO COUNTERPARTY

To: [Contract party]
Copy: Deutsche Trustee Company Limited

[Date]

Dear Sirs,

Fixed and Floating Security Document dated [●] 2011 (the “Security Agreement”)

This letter constitutes notice to you that under the Security Agreement we have assigned by way of security to Deutsche Trustee Company Limited (the “**Security Trustee**”) all our rights in respect of [insert details of Contract] (the “**Contract**”).

We confirm that:

- (a) we will remain liable under the Contract to perform all the obligations assumed by us under the Contract; and
- (b) none of the Security Trustee, its agents, any receiver or any other person will at any time be under any obligation or liability to you under or in respect of the Contract.

We will also remain entitled to exercise all our rights, powers and discretions under the Contract, and you should continue to give notices under the Contract to us, unless and until you receive notice from the Security Trustee to the contrary stating that the security has become enforceable. In this event, all the rights, powers and discretions will be exercisable by, and notices must be given to, the Security Trustee or as it directs.

Please note that we have agreed that we will not amend or waive any provision of or terminate the Contract without the prior consent of the Security Trustee.

This letter and any non-contractual obligations arising out or in connection with it are governed by English law.

Please acknowledge receipt of this letter by sending the attached acknowledgement to the Security Trustee at [].

Yours faithfully,
.....
[Chargor]
(Authorised signatory)

PART II
ACKNOWLEDGEMENT OF COUNTERPARTY

To: Deutsche Trustee Company Limited as Security Trustee
Copy: [Chargor]

[Date]

Dear Sirs,

We confirm receipt from [] (the "**Chargor**") of a notice dated [] of an assignment on the terms of the Fixed and Floating Security Document dated [●] 2011 of all the Chargor's rights in respect of [insert details of the Contract] (the "**Contract**").

We confirm that we will pay all sums due, and give notices, under the Contract as directed in that notice.

This letter and any non-contractual obligations arising out or in connection with it are governed by English law.

Yours faithfully,

.....

(Authorised signatory)

[Counterparty]

Execution Pages

THAMES WATER (KEMBLE) FINANCE PLC

Signed as a **DEED** by:

As attorney for **THAMES WATER (KEMBLE) FINANCE PLC**
under a power of attorney dated 24 March 2011

In the presence of:

Name:

Address:

Occupation:

KEMBLE WATER FINANCE LIMITED

Signed as a **DEED** by:

As attorney for **KEMBLE WATER FINANCE LIMITED**
under a power of attorney dated 24 March 2011

In the presence of:

Name:

Address:

Occupation:

THE COMMON SEAL of DEUTSCHE TRUSTEE COMPANY LIMITED was affixed to this deed in the presence of:

.....
Associate Director

.....
Associate Director