



27028454

PRICING SUPPLEMENT

BEST AVAILABLE COPY

PROCESSED BY

09 FEB 2000

DISCLOSURE LTD.

THAMES WATER PLC
THAMES WATER UTILITIES FINANCE PLC

U.S.\$3,000,000,000

Debt Issuance Programme

Irrevocably and unconditionally guaranteed in respect of Notes issued by
Thames Water Utilities Finance Plc by Thames Water Utilities Limited

Series No: 22

Tranche No: 1

Thames Water Utilities Finance Plc

£200,000,000

6.5% Guaranteed Bonds due 2032

irrevocably and unconditionally guaranteed by
Thames Water Utilities Limited

Issue Price: 99.026 per cent.

J.P. Morgan Securities Ltd.

Warburg Dillon Read

Cazenove & Co.

HSBC

The date of this Pricing Supplement is 7th February 2000.

A0C5903-8/1 0/07 Feb 2000

- 1 -

This Pricing Supplement, under which the Bonds described herein (the "Bonds") are issued, is supplemental to, and should be read in conjunction with, the Offering Circular dated 22nd October 1999 (as supplemented by the supplemental offering circular dated 25th January 2000), (the "Offering Circular") issued in relation to the U.S.\$3,000,000,000 Debt Issuance Programme (the "Programme") of Thames Water Plc and Thames Water Utilities Finance Plc irrevocably and unconditionally guaranteed in respect of Notes issued by Thames Water Utilities Finance Plc by Thames Water Utilities Limited. Terms defined in the Offering Circular have the same meaning in this Pricing Supplement. The Bonds will be issued on the terms of this Pricing Supplement read together with the Offering Circular. Each of Thames Water Utilities Finance Plc (the "Issuer") and Thames Water Utilities Limited (the "Guarantor") accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular, contains all information that is material in the context of the issue of the Bonds.

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer of, or an invitation by or on behalf of anyone to subscribe or purchase any of the Bonds.

The Bonds constitute longer term debt securities issued in accordance with regulations made under section 4 of the Banking Act 1987. The issuer of the Bonds is Thames Water Utilities Finance Plc, which is not an authorised institution or a European authorised institution (as such terms are defined in the Banking Act 1987 (Exempt Transactions) Regulations 1997). Repayment of the principal and payment of any interest or premium in connection with the Bonds has been guaranteed by Thames Water Utilities Limited, which is not an authorised institution or a European authorised institution.

The issuer (a) has complied with its obligations under the listing rules of the London Stock Exchange in relation to the admission to and continuing listing of the Programme and of any previous issues made by it under the Programme and listed on the same exchange; (b) confirms that it will have complied with its obligations under the listing rules of the London Stock Exchange in relation to the admission to listing of the Bonds by the time when the Bonds are so admitted; and (c) has not, since the last publication, in compliance with the listing rules of the London Stock Exchange, of information about the Programme, any previous issues made by it under the Programme and listed on the London Stock Exchange, or the Bonds, having made all reasonable enquiries, become aware of any change in circumstance which could reasonably be regarded as significantly and adversely affecting its ability to meet its obligations as issuer in respect of the Bonds as they fall due.

Although the position is not free from doubt, the Bonds should constitute qualifying corporate bonds within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992 so that on a disposal or redemption of the Bonds neither a chargeable gain nor an allowable loss will arise for the purposes of United Kingdom tax on capital gains.

There has been no significant change in the financial or trading position of the issuer, the Guarantor or of the Group since 31st March 1998 and no material adverse change in the financial position or prospects of the issuer, the Guarantor or of the Group since 31st March 1999.

Signed: 

Director

In connection with this issue, J.P. Morgan Securities Ltd. may over-allot or effect transactions which stabilise or maintain the market price of the Bonds at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

A0060018/1.0/07 Feb 2000

Any such transaction will be carried out in accordance with applicable laws and regulations.

SCHEDULE

The terms of the Bonds and additional provisions relating to their issue are as follows:

Provisions appearing on the face of the Bonds

1	Series No:	22
2	Tranche No:	1
3	ISIN:	XS0107289323
4	Currency:	Sterling
5	Principal Amount of Tranche:	£200,000,000
6	Issue Date:	9th February 2000

Provisions appearing on the back of the Bonds

7	Form	Bearer
8	Denomination(s):	£100,000
9	Interest Commencement Date:	9th February 2000
10	Redenomination into euro (of Bonds denominated in a currency that may, after the third stage of European economic and monetary union, be converted into euro):	The following new paragraph should be added to the end of Condition 10(b): "The Trustee may agree, without the consent of the Bondholders or Couponholders, on or after the Specified Date (as defined below) to such modifications of any of the provisions of the Trust Deed, the Bonds or the Coupons in order to facilitate payment of interest in euro and redemption at the euro-equivalent of the sterling principal amount of the Bonds and associated reconventioning, renominatisation and related matters as may be proposed by the issuer (and confirmed by an independent financial institution approved by the Trustee to be in conformity with then applicable market conventions). For these purposes, "Specified Date" means the date on which the United Kingdom participates in the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community or otherwise participates in European Economic and Monetary Union in a manner with an effect similar to such third stage."
11	Interest Rate (including after Maturity Date):	6.5 per cent. per annum
12	Interest Payment Date(s):	9th February in each year, commencing on

9th February 2001

13	Relevant Time:	N/A
14	Interest Determination Date:	N/A
15	Primary Source for Floating Rate:	N/A
16	Reference Banks:	N/A
17	Relevant Financial Centre:	N/A
18	Benchmark:	N/A
19	Representative Amount:	N/A
20	Relevant Currency:	N/A
21	Effective Date:	N/A
22	Specified Duration:	N/A
23	Margin:	N/A
24	Rate Multiplier:	N/A
25	Maximum/Minimum Interest Rate:	N/A
26	Maximum/Minimum Instalment Amount:	N/A
27	Maximum/Minimum Redemption Amount:	N/A
28	Interest Amount:	£6,500 per £100,000 Bond
29	Day Count Fraction:	30/360
30	Determination Date(s):	N/A
31	Interest Period Date(s):	Each Interest Payment Date
32	Redemption Amount (including early redemption):	Principal Amount (save as provided in paragraph 35 below)
33	Maturity Date:	9th February 2032
34	Redemption for Taxation Reasons permitted on days other than Interest Payment Dates:	Yes
35	Terms of redemption at the option of the Issuer or description of any other Issuer's option (if applicable):	(i) For Taxation Reasons (as provided in Condition 5(c)); and (ii) at any time on or after the third anniversary of the Issue Date, the Issuer may, having given not less than 30 nor more than 45 days' notice to the Bondholders (in accordance with Condition 15) redeem all, but not some only of the Bonds at a price in respect of each Bond which shall be the higher of the following, together with interest

accrued up to but excluding the date of redemption:

(x) its principal amount; and

(y) that price (the "Redemption Price") expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards) (as reported in writing to the Issuer by a financial adviser selected by the Issuer and approved by the Trustee) at which the Gross Redemption Yield (as defined below) on the Bonds on the day which is the third dealing day prior to the date of the notice to the Bondholders referred to above, is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 3.00 p.m. (London time) on that date of the 6 per cent. Treasury Stock 2028 while that stock is in issue, and thereafter such other government stock as the Issuer and the Trustee shall be advised by two financial advisers selected by the Issuer and approved by the Trustee to be appropriate by way of substitution for such Treasury Stock.

For the purposes of this paragraph 35, "Gross Redemption Yield" means a yield calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries, Vol. 105, Part 1, 1978, page 18 or such other basis as the Trustee may approve.

- | | | |
|----|---|--|
| 36 | Issuer's Option Period: | As set out in paragraph 35 above. |
| 37 | Terms of redemption at the option of the Bondholders or description of any other Bondholders' option: | Upon the occurrence of a Put Event (as provided in Condition 5(f)) |
| 38 | Bondholders' Option Period (if applicable): | As set out in Condition 5(f) |
| 39 | Instalment Date(s): | N/A |
| 40 | Instalment Amount(s): | N/A |
| 41 | Unmatured Coupons to become void upon early redemption: | Yes |
| 42 | Talons to be attached to Bonds and, if | Yes |

A095C0918/1.0/07 Feb 2000

- 5 -

applicable, the number of Interest Payment Dates between the maturity of each Talon:

- 43 Business Day for Condition 6(h) London
 (jurisdictions required to be open for payment):
- 44 Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 10(a) (if applicable). N/A
- 45 Details of any other additions or variations to the Conditions (if applicable): N/A
- 46 The Agents appointed in respect of the Bonds are:
 Citibank, N.A. London
 5 Carmelite Street
 London
 EC4Y 0PA
 Citibank AG, Frankfurt
 Neue Mainzer Strasse 75
 60311 Frankfurt am Main

Provisions applicable to Global Bonds

- 47 Bonds to be represented on issue by: Temporary Global Bond
- 48 Applicable TEFRA exemption: D Rules
- 49 Temporary Global Bond exchangeable for Definitive Bonds: No
- 50 Permanent Global Bond exchangeable for Definitive Bonds at the request of the holder: Only in the limited circumstances set out in the Offering Circular
- 51 Global Certificate exchangeable for definitive Registered Bond at the request of the holder: N/A

Provisions relating only to the sale and listing of the Bonds

- 52 Details of any additions or variations to the selling restrictions: N/A
- 53 Listing: London Stock Exchange
- 54 Dealer's Commission: 0.25 per cent. combined management and underwriting commission; 0.375 per cent. selling commission.
- 55 Method of issue of Bonds: Syndicated Issue
- 56 The following Dealers are subscribing the Bonds: J.P. Morgan Securities Ltd.
 UBS AG, acting through its division Warburg

Dillon Read
Cazenove & Co.
HSBC Bank plc

- 57 Common Code: -- 10728932
- 58 The aggregate principal amount of Bonds issued has been translated into U.S. dollars at the rate of U.S.\$1.5885 = £1, producing a sum of (for Bonds not denominated in U.S. dollars): U.S.\$317,700,000
- 59 Net Proceeds: £196,802,000
- 60 Use of Proceeds (if different from that stated in the Offering Circular): N/A

The full text of the Terms and Conditions which apply to the Bonds are set out in the Annex hereto. These Terms and Conditions replace in their entirety those appearing in the Offering Circular for the purpose of the Bonds and will prevail over any other provision to the contrary.

ANNEX

Terms and Conditions of the Bonds

The Bonds are constituted by a Trust Deed dated 9th October 1997 (as amended or supplemented as at 9th February 2000 (the "Issue Date"), the "Trust Deed") between Thames Water Utilities Finance Plc (the "Issuer"), Thames Water plc, Thames Water Utilities Limited (the "Guarantor") and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Bondholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. An Agency Agreement (as amended or supplemented as at the Issue Date, the "Agency Agreement") dated 9th October 1997 has been entered into in relation to the Bonds between the Issuer, Thames Water Plc, the Guarantor, the Trustee, Citibank, N.A., London as initial issuing and paying agent (the "Issuing and Paying Agent"), the paying agents (the "Paying Agents") and the other agents named in it. Copies of the Trust Deed and the Agency Agreement and the Pricing Supplement are available for inspection during usual business hours at the registered office of the Trustee (presently at Princes House, 95 Gresham Street, London EC2V 7LY) and at the specified offices of the Paying Agents.

The Bonds have the benefit of an unconditional and irrevocable guarantee by the Guarantor.

The Bondholders, the holders (the "Couponholders") of the interest coupons (the "Coupons") appertaining to the Bonds and the talons for further Coupons (the "Talons") are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Pricing Supplement and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1 Form, Denomination and Title

The Bonds are issued in bearer form in the denomination of £100,000.

The Bonds are serially numbered and are issued with Coupons and a Talon attached.

Title to the Bonds, Coupons and Talons shall pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Conditions, "Bondholder" means the bearer of any Bond, "holder" (in relation to a Bond, Coupon or Talon) means the bearer of any Bond, Coupon or Talon and capitalised terms have the meanings given to them herein, the absence of any such meaning indicating that such term is not applicable to the Bonds.

2 Exchanges of Exchangeable Bonds and Transfers of Registered Bonds

(a) Exchange of Exchangeable Bonds

Not Applicable

(b) Transfer of Registered Bonds

Not Applicable

(c) *Exercise of Options or Partial Redemption in Respect of Registered Bonds*

Not Applicable

(d) *Delivery of New Certificates*

Not Applicable

(e) *Exchange Free of Charge*

Not Applicable

(f) *Closed Periods*

Not Applicable

3 Guarantee and Status

(a) *Guarantee*

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Bonds and the Coupons. Its obligations in that respect (the "Guarantee") are contained in the Trust Deed.

(b) *Status of Bonds and Guarantee*

The Bonds and Coupons constitute unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds and Coupons and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future.

4 Interest and other Calculations

(a) *Interest Rate and Accrual*

Each Bond bears interest on its outstanding principal amount from and including 9th February 2000 at the rate of 6.5 per cent. per annum, such interest being payable in arrear on 9 February in each year, commencing 9th February 2001.

Interest shall cease to accrue on each Bond on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) to the Relevant Date (as defined in Condition 7).

If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year, consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

(b) *Business Day Convention*

Not Applicable

(c) *Interest Rate on Floating Rate Bonds*

Not Applicable

(d) *Interest Rate on Zero Coupon Bonds*

Not Applicable

(e) *Margin, Maximum/Minimum Interest Rates, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding*

Not Applicable

(f) *Calculations*

Not Applicable

(g) *Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts*

Not Applicable

(h) *Determination or Calculation by Trustee*

Not Applicable

(i) *Definitions*

Not applicable

(j) *Calculation Agent and Reference Banks*

Not Applicable

(k) *Certificates to be final*

Not Applicable

5 Redemption, Purchase and Options

(a) *Redemption by Instalments and Final Redemption*

Unless previously redeemed, purchased and cancelled as provided below, each Bond shall be finally redeemed on 9th February 2032 at its principal amount.

(b) *Early Redemption of Zero Coupon Bonds*

Not Applicable

(c) *Redemption for Taxation Reasons*

If, as a result of any amendment to or change in the laws or regulations of the United Kingdom or of any political subdivision thereof or any authority therein or thereof having power to tax or any change in the official or generally accepted interpretation or application of such laws or regulations which becomes effective on or after the date of the Trust Deed, the Issuer or the Guarantor has or will become obliged to pay any additional amounts as described in Condition 7 (and such amendment or change has been evidenced by the delivery by the Issuer or the Guarantor, as the case may be, to the Trustee (who shall accept such certificate and opinion as sufficient evidence thereof) of (i) a certificate signed by two directors of the Issuer or the Guarantor, as the case may be, on behalf of the Issuer or the Guarantor, as the case may be, stating that such amendment or change has occurred (irrespective of whether such amendment or change is then effective), describing the facts leading thereto and stating that such requirement cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it and (ii)

an opinion of independent legal advisers of recognised standing to the effect that such amendment or change has occurred (irrespective of whether such amendment or change is then effective)), the Issuer may (having given not less than 30 nor more than 90 days' notice to the Trustee and to the holders in accordance with Condition 15) redeem all, but not some only, of the Bonds (other than Bonds in respect of which the Issuer shall have given a notice of redemption pursuant to Condition 5(d) or in respect of which a Bondholder shall have given a Put Event Notice in accordance with Condition 5(f)), in each case, prior to any notice being given under this Condition 5(c) at their Redemption Amount, together with accrued interest to the date fixed for such redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be required to pay such additional amounts were a payment in respect of the Bonds then due.

(d) *Redemption at the Option of the Issuer and Exercise of Issuer's Options*

At any time on or after the third anniversary of the Issue Date, the Issuer may, having given not less than 30 nor more than 45 days' notice to the Bondholders (in accordance with Condition 15) redeem all, but not some only, of the Bonds at a price in respect of each Bond which shall be the higher of the following, together with interest accrued up to but excluding the date of redemption:

(x) its principal amount; and

(y) that price (the "Redemption Price") expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards) (as reported in writing to the Issuer by a financial adviser selected by the Issuer and approved by the Trustee) at which the Gross Redemption Yield (as defined below) on the Bonds on the day which is the third dealing day prior to the date of the notice to the Bondholders referred to above, is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 3.00 p.m. (London time) on that date of the 6 per cent. Treasury Stock 2028 while that stock is in issue, and thereafter such other government stock as the Issuer and the Trustee shall be advised by two financial advisers (selected by the Issuer and approved by the Trustee) to be appropriate by way of substitution for such Treasury Stock.

For the purposes of this Condition 5(d), "Gross Redemption Yield" means a yield calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries, Vol 105, Part 1, 1978, page 18 or such other basis as the Trustee may approve.

(e) *Redemption at the Option of Bondholders and Exercise of Bondholders' Options*

The Issuer shall, at the option of the holder of any Bond, redeem such Bond on the date or dates so provided at its Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option or any other Bondholders' option that may be set out hereon the holder must deposit such Bond (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, within the Bondholders' Option Period. No Bond so deposited and option exercised may be withdrawn without the prior consent of the Issuer, except that such Bond will be returned to the relevant Bondholder by the Paying Agent, with which it has been deposited if, prior to the due date for its redemption or the exercise of the option, the Bond becomes immediately due and

payable or if upon due presentation payment of the redemption moneys is not made or exercise of the option is denied.

(f) *Redemption at the option of the Bondholders on the occurrence of a Put Event*

If, at any time while any of the Bonds remains outstanding, a Put Event (as defined below) occurs, then, unless at any time the Issuer shall have given a notice under Condition 5(c) or (d) in respect of the Bonds, in each case expiring prior to the Put Date, as defined below, the holder of each Bond will, upon the giving of a Put Event Notice (as defined below), have the option to require the Issuer to redeem such Bond on the Put Date at its principal amount, together with interest accrued up to, but excluding, the Put Date.

A "Put Event" occurs if (i) the appointment of Thames Water Utilities Limited (the "Appointment") as the water undertaker and sewerage undertaker for the areas described in the Instrument of Appointment under sections 11 and 14 of the Water Act 1989 (now section 6 of the Water Industry Act 1991) is terminated other than in respect of such part of its area as is the subject of an appointment or variation by virtue of section 7(4)(b) or (bb) of the Water Industry Act 1991; or (ii) a Restructuring Event (as defined below) occurs and, within the Restructuring Period (as defined below), either (a) if at the time the relevant Restructuring Event occurs there are Rated Securities, a Rating Downgrading (both as defined below) in respect of the Restructuring Event also occurs; or (b) if at such time there are no Rated Securities, the Issuer or the Guarantor fails to obtain (whether by failing to seek a rating or otherwise) a rating of the Bonds or any other unsecured and unsubordinated debt of the Issuer or the Guarantor having an initial maturity of five years or more from a Rating Agency (as defined below) of at least investment grade (BBB-, or its equivalent for the time being) (a "Negative Rating Event"), and in the case of either (a) or (b), such Restructuring Event is, not later than 14 days after the expiry of the Restructuring Period, certified in writing by an independent financial adviser appointed by the Trustee (after consultation with the Issuer or the Guarantor as to the identity of such independent financial adviser) as being in its opinion materially prejudicial to the interests of the Bondholders (a "Negative Certification") (that Restructuring Event and the relevant Rating Downgrading or, as the case may be, Negative Rating Event and, in each case, the Negative Certification together constituting the Put Event); or (iii) Thames Water Utilities Limited ceases to be a subsidiary (as defined in Section 736 of the Companies Act 1985) of Thames Water Plc.

Promptly upon becoming aware that a Put Event has occurred, and in any event not later than 21 days after the occurrence of the Put Event, the Issuer or the Guarantor shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one quarter in principal amount of the Bonds then outstanding, shall, give notice (a "Put Event Notice") to the Bondholders in accordance with Condition 15, specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 5(f). Any certification by an independent financial adviser as aforesaid as to whether or not any Restructuring Event is materially prejudicial to the interests of the Bondholders shall, in the absence of manifest error, be conclusive.

To exercise the option to require the Issuer to redeem a Bond under this Condition 5(f), the Bondholder must deliver such Bond at the specified office of any Paying Agent, on any day which is a day on which banks are open for business in London and in the place of the specified office falling within the period (the "Put Period") of 45 days after the date on which a Put Event Notice is given, accompanied by a duly signed and completed Exercise Notice. The Bond must be delivered to the Paying Agent together with all Coupons

appertaining thereto maturing after the date (the "Put Date") being the seventh day after the date of expiry of the Put Period, failing which deduction in respect of such missing unmatured Coupons shall be made in accordance with Condition 6 other than in respect of Floating Rate Bonds in which case the relevant unmatured Coupons shall be void. The Paying Agent to which such Bond and Exercise Notice are delivered will issue to the Bondholder concerned a non-transferable receipt (a "Put Option Receipt") in respect of the Bond so delivered. Payment by the Issuer in respect of any Bond so delivered shall be made, if the holder duly specified in the Exercise Notice a bank account to which payment is to be made, by transfer to that bank account on the Put Date, and in every other case, on or after the Put Date against presentation and surrender of such Put Option Receipt at the specified office of any Paying Agent. An Exercise Notice, once given, shall be irrevocable. For the purposes of these Conditions and the Trust Deed, Put Option Receipts issued pursuant to this Condition 5(f) shall be treated as if they were Bonds.

In this Condition:

"Rated Securities" means the Bonds, if at any time and for so long as they shall have a rating from a Rating Agency, and otherwise any other unsecured and unsubordinated debt of the Issuer having an initial maturity of five years or more which is rated by a Rating Agency

"Rating Agency" means Standard & Poor's Ratings Group or any of its Subsidiaries and their successors or any rating agency substituted for Standard & Poor's Ratings Group (or any permitted substitute of it) by the Issuer or the Guarantor from time to time with the prior written approval of the Trustee (not to be unreasonably withheld or delayed) or any other rating agency approved in writing by the Trustee from time to time.

A "Rating Downgrading" shall be deemed to have occurred in respect of a Restructuring Event if the current rating assigned to the Rated Securities by any Rating Agency (whether provided by a Rating Agency at the invitation of the Issuer or the Guarantor or by its own volition) is withdrawn or reduced from an investment grade rating (BBB-, or its equivalent for the time being, or better) to a non-investment grade rating (BB+, or its equivalent for the time being, or worse) or, if the Rating Agency shall have already rated the Rated Securities below investment grade (as described above), the rating is withdrawn or lowered one full rating category).

"Restructuring Event" means either (i) the modification of the Appointment in any manner, or (ii) the enactment of any legislation (whether primary or subordinate) removing, reducing or qualifying the duties or powers of the Secretary of State for the Environment, Transport and the Regions and/or the Director General of Water Services, including without limitation any such legislation removing, reducing or qualifying such duties or powers under sections 2(2)(b), 9(4) or 23(2) of the Water Industry Act 1991, in any case as compared with those in effect as at 9th October 1997.

"Restructuring Period" means, whether or not there are Rated Securities at the time a Restructuring Event occurs, the period of 45 days starting from and including the date on which that Restructuring Event occurs.

"Subsidiary" means any entity whose results are generally required by law or in accordance with generally accepted accounting principles applicable in the United Kingdom to be consolidated with the Group accounts of Thames Water Plc provided always that where the Issuer is Thames Water Utilities Finance Plc any subsidiary of

Thames Water Plc (other than Thames Water Utilities Limited or any subsidiary of it) shall not be a Subsidiary for the purposes of this definition.

A report by the Auditors that in their opinion an entity is or is not or was or was not at any particular time a Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

The Trust Deed provides that the Trustee is under no obligation to ascertain whether a Put Event or any event which could lead to the occurrence of or could constitute a Put Event has occurred and until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary the Trustee may assume that no Put Event or other such event has occurred.

(q) Purchases

The Issuer, the Guarantor and any of their respective subsidiaries may to the extent permitted by applicable law, at any time purchase Bonds (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(h) Cancellation

All Bonds purchased by or on behalf of the Issuer, the Guarantor or any of their respective subsidiaries shall be surrendered for cancellation by surrendering each such Bond together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and if so surrendered, shall, together with all Bonds redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Bonds so surrendered for cancellation may not be reissued or resold.

6 Payments and Talons

(a) **Bearer Bonds**

Payments of principal and interest in respect of Bonds shall, subject as mentioned below, be made against presentation and surrender of the Bonds or Coupons (in the case of interest, save as specified in Condition 6(7)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in sterling drawn on, or, at the option of the holder, by transfer to a sterling account with a bank in London,

(b) **Registered Bonds**

Not Applicable

(c) *Payments in the United States*

Not Applicable

(d) *Payments subject to Fiscal Laws*

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.

(e) *Appointment of Agents*

The initial Paying Agents and their respective specified offices are listed below. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to terminate or to vary the appointment of any Paying Agent and may appoint additional or other Paying Agents, provided that they will at all times maintain at least two Paying Agents having specified offices in European cities approved by the Trustee, one of which, so long as the Bonds are listed on the London Stock Exchange, shall be in London. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will be given by the Issuer or the Guarantor to the Bondholders in accordance with Condition 15.

(f) *Unmatured Coupons and Receipts and Unexchanged Talons*

(i) Not Applicable

(ii) Upon the due date for redemption of any Bond, unexpired Coupons relating to such Bond (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bond, any unexchanged Talon relating to such Bond (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Not Applicable

(v) Where any Bond is presented for redemption without all unexpired Coupons and any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) Not applicable

(g) *Talons*

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bond, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 8).

(h) *Non-Business Days*

If any date for payment in respect of any Bond or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

7 *Taxation*

All payments of principal and interest in respect of the Bonds and the Coupons or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such

additional amounts as shall result in receipt by the Bondholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Bond or Coupon:

- (a) to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Bond or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth (30th) day; or
- (c) presented for payment in the United Kingdom.

As used in these Conditions, "Relevant Date" in respect of any Bond or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further presentation of the Bond or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

References in these Conditions to (i) "principal" shall be deemed to include amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (ii) "interest" shall be deemed to include all interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

8 Prescription

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

9 Events of Default

Provided that at the time of such notice as hereinafter referred to, such event or (as the case may be) all such events shall not have been waived or remedied (if capable of remedy) to the satisfaction of the Trustee, the Trustee at its absolute discretion may and, if so requested in writing by the holders of at least one-fifth in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (in any case provided that the Trustee has been indemnified to its satisfaction), give notice to the Issuer declaring the Bonds to be, and they shall accordingly immediately become, immediately repayable at their Redemption Amount, together with accrued interest as provided in the Trust Deed, if any of the following events (each an "Event of Default") shall occur (but in the case of the happening of any of the events referred to in sub-paragraphs (b), (c), (d), (g) or (i) (or (k) as it applies to the foregoing) and further in relation to a Material Subsidiary in sub-paragraphs (e), (f), (h) and (k) subject to the same having been

certified to the issuer in writing by the Trustee to be, in its opinion, materially prejudicial to the interests of the Bondholders);

(a) *Non-Payment*

default is made in the payment of any amount in respect of any principal due on the Bonds or any of them for a period of more than seven days after the same ought to be made or paid or of any interest in respect of the Bonds or any of them for a period of more than 14 days after the same ought to be made or paid, as the case may be; or

(b) *Breach of Other Obligations*

other than a default falling within (a) above default is made by the Issuer or the Guarantor in the performance or observance of any covenant, undertaking, condition or provision contained in the Trust Deed or the Bonds and (except where such default is not, in the opinion of the Trustee, capable of remedy, when no such notice as is hereinafter mentioned will be required), such default continues for a period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer or the Guarantor, as the case may be, of a notice in writing requiring the same to be remedied; or

(c) *Borrowings*

an aggregate amount in respect of indebtedness for or in respect of borrowed moneys of the Issuer, the Guarantor or any Subsidiary of any of them (other than an Excluded Subsidiary) exceeding one per cent. of Consolidated Tangible Net Worth (or its equivalent thereof in other currencies) either (i) becomes due prior to the due date for the payment thereof or (ii) is not paid on such due date as extended by any applicable grace period originally provided in the documentation relating thereto, or on demand if so payable; or the Issuer, the Guarantor or any Subsidiary of any of them (other than an Excluded Subsidiary) fails to honour when due and called upon (or, if later, at the expiry of an applicable grace period originally provided therefor) any guarantee given by the Issuer, the Guarantor or any Subsidiary of any of them (other than an Excluded Subsidiary) in respect of such amount of indebtedness for borrowed moneys; or

(d) *Security*

any Security over any of the assets of the Issuer, the Guarantor or any Subsidiary of any of them (taken together or individually) (other than an Excluded Subsidiary) securing an amount or aggregate amount of indebtedness for borrowed moneys exceeding one per cent. of Consolidated Tangible Net Worth (or the equivalent thereof in other currencies) shall be enforceable and the holder thereof shall commence proceedings or appoint a receiver, manager or similar officer to enforce the same or possession is taken on behalf of an encumbrancer to enforce the same and such receiver, manager or similar officer is not discharged within 30 days or such longer period as the Trustee may agree; or

(e) *Insolvency*

- (i) the Issuer, the Guarantor or any Material Subsidiary becomes or is deemed for the purposes of Section 123 of the Insolvency Act 1986 (but in the case of paragraph (1)(a) thereof only if the indebtedness concerned is one per cent. of Consolidated Tangible Net Worth (or the equivalent thereof in other currencies) or more) to be unable to pay its debts as they fall due; or

- (ii) the Issuer, the Guarantor or any Material Subsidiary otherwise becomes or is determined by a competent court to be insolvent; or
- (iii) the Issuer, the Guarantor or any Material Subsidiary suspends making payments (whether of principal or interest) with respect of all or any class of its debts; or

(f) *Administration*

- (i) any meeting of the Issuer, the Guarantor or any Material Subsidiary is convened for the purpose of considering any resolution to present an application for an administration order; or
- (ii) the Issuer, the Guarantor or any Material Subsidiary passes a resolution to present an application for an administration order; or
- (iii) an application for an administration order including, in relation to the Guarantor, any application for a special administration order pursuant to Section 24 of the Water Industry Act 1991 (the "Water Industry Act") in relation to the Issuer, the Guarantor or any Material Subsidiary is presented to the court unless the application is being contested in good faith on reasonable grounds to appropriate proceedings (including proceedings under Section 24 of the Water Industry Act in the case of an application for a special administration order); or
- (iv) an administration order or, in relation to the Guarantor, a special administration order is made in relation to the Issuer, the Guarantor or any Material Subsidiary; or

(g) *Compositions*

irrevocable steps are taken to implement (under any enactment or otherwise) any kind of composition, scheme of arrangement, compromise or arrangement involving the Issuer, the Guarantor or any Material Subsidiary and their respective creditors generally (other than any composition, scheme, compromise or arrangement approved in writing by the Trustee); or

(h) *Appointment of Receivers and Managers*

any administrative or other receiver or any manager is appointed of the Issuer, the Guarantor or any Material Subsidiary or of or for any substantial part of the assets of the Issuer, the Guarantor or any Material Subsidiary (and such appointment is not dismissed or stayed within 30 days or such longer period as the Trustee may agree in writing) or the directors of the Issuer the Guarantor or any Material Subsidiary request any person to appoint such a receiver or manager; or

(i) *Legal Process*

any attachment, acquisition, distress or execution is levied, enforced or sued out on or against a substantial part of the assets of the Issuer, the Guarantor or any Material Subsidiary and is not discharged or stayed within 30 days (or such longer period as the Trustee may approve in writing); or

(j) *Winding-up*

- (i) the shareholders of the Issuer, the Guarantor or any Material Subsidiary pass any resolution for (or to petition for) its winding-up; or
- (ii) a petition for the winding-up of the Issuer, the Guarantor or any Material Subsidiary is presented to the court and either

(A) the issuer, the Guarantor or such Material Subsidiary, as the case may be, does not apply to the court within 30 days after the presentation of such petition requesting the court to refuse such petition or (B) it does so apply but such petition is not refused by such court within 60 days after such application for the refusal of such petition; or

(iii) an order is made for the winding-up of the issuer, the Guarantor or any Material Subsidiary,

provided that this paragraph (i) shall not apply to a reconstruction, amalgamation or reorganisation the terms of which have previously been approved in writing by the Trustee or a voluntary solvent winding-up relating to the transfer of all or substantially all of the business, assets and undertaking of any Material Subsidiary of the Guarantor or another Subsidiary of the Guarantor (or, where the Material Subsidiary is a Subsidiary of Thames Water Plc, but not of the Guarantor, to any Subsidiary of Thames Water Plc); or

(k) *Analogous Proceedings*

there occurs, in relation to the issuer, the Guarantor or any Material Subsidiary in any country or territory in which it is incorporated or carries on business or to the jurisdiction of whose courts any substantial part of its assets is subject, any event which corresponds (whether in specie or as to its effects) in that country or territory with any of those mentioned in paragraphs (e) to (j) (inclusive) above; or

(l) *Guarantee*

any of the obligations of the Guarantor under the Trust Deed are not (or are claimed by the Guarantor not to be) or cease to be in full force and effect.

For the purposes of this Condition:

"Accounts" means the latest audited annual accounts of the issuer or, as the case may be, the Guarantor or, if the same are prepared, the latest audited consolidated annual accounts of the Group delivered or required to be delivered to the Trustee pursuant to the Trust Deed;

"Auditors" means the auditors for the time being of the issuer or, as the case may be, the Guarantor in the event of them being unable or unwilling to carry out any action requested of them pursuant to the Trust Deed, such other firm of chartered accountants as the Trustee may in writing nominate or approve for such purposes;

"Consolidated Tangible Net Worth" means at any time the aggregate of:

- (i) the amount paid up or credited as paid up on the issued share capital of the Guarantor;
- (ii) the amounts standing to the credit of the capital and revenue reserves (including any share premium account and the capital redemption reserve and the amount standing to the credit of the profit and loss account) of the Group; and
- (iii) the amount attributable to the interests of persons (other than any members of the Group) in the share capital of a Subsidiary or Subsidiaries of the members of the issuer or, as the case may be, the Guarantor,

all as shown in the latest audited consolidated balance sheet of the Group (being a balance sheet prepared, in the opinion of the Auditors, under the historical cost convention,

or other cost convention approved by the Trustee, modified, if applicable, by any revaluation and depreciation of fixed assets and/or by any revaluation carried out in accordance with paragraph (f) below) but, to the extent that the following items have not already been added, deducted, excluded or otherwise taken into account in arriving at the figures referred to in (i), (ii) and (iii) above:

- (a) adjusted in respect of any variation in interests in Subsidiaries of the Issuer or, as the case may be, the Guarantor and in the paid up share capital of the Issuer or, as the case may be, the Guarantor and the amounts of the said reserves (other than variations in profit and loss account arising from normal trading) since the date as at which such balance sheet was made up;
- (b) taking account of the subscription moneys (including any premium) in respect of any share capital of the Issuer or, as the case may be, the Guarantor or any wholly-owned Subsidiary proposed to be issued for cash to the extent to which the subscription thereof has been unconditionally underwritten (provided such subscription moneys and any premium are payable not later than four months after the date of allotment) with effect from the date on which such issue was so underwritten;
- (c) excluding all sums set aside for taxation whether in respect of deferred taxation or otherwise under generally accepted accounting principles in the United Kingdom;
- (d) excluding any distributions made by the Issuer or, as the case may be, the Guarantor to members of the Issuer or, as the case may be, the Guarantor or by any Subsidiary of the Issuer or, as the case may be, the Guarantor to outside shareholders in such Subsidiary out of profits accrued prior to the date at which such balance sheet was made up and not provided for therein;
- (e) deducting all amounts attributable to goodwill and other intangible assets;
- (f) taking account of the amount, if any, by which in the reasonable opinion of the directors of the Issuer (as shall have been stated in the report of the directors delivered or required to be delivered to the Trustee with the Accounts in accordance with the provisions of the Trust Deed) based upon the results of the valuation of all or a representative sample of the relevant property or building or category of property or buildings undertaken by a chartered surveyor (approved by the Trustee) in accordance with the applicable guidelines for the time being of the Royal Institution of Chartered Surveyors, the open market value of such property or building or such category of property or buildings exceeds the amount shown in the relevant Accounts as the net book value thereof; and
- (g) after making such other adjustments as the Auditors may consider appropriate,

and so that no amount shall be included or excluded twice in the same calculation.

The certificate or report of the Auditors as to the amount of Consolidated Tangible Net Worth for any financial year of the Issuer or the Guarantor or at any time or in respect of any period may, in the absence of manifest error, be relied upon by the Trustee and, if so relied upon, shall be conclusive and binding on the Issuer, the Guarantor, the Bondholders and the Couponholders.

"Excluded Subsidiary" means any Subsidiary of Thames Water Plc or the Guarantor;

- (i) which is a single purpose company whose principal assets and business are constituted by a project; and
- (ii) none of whose liabilities in respect of the financing of such project are directly or indirectly the subject of any security, guarantee, indemnity or any other form of assurance, undertaking or support from Thames Water Plc or the Guarantor of any of their respective Subsidiaries or where any such security, guarantee, indemnity or other form of assurance, undertaking or support is contractually limited to and cannot in any circumstances exceed at any time a maximum amount not exceeding one per cent. of Consolidated Tangible Net Worth of Thames Water Plc or the Guarantor; and
- (iii) which has been designated as such by the Issuer by written notice to the Trustee, provided that the Issuer may give written notice to the Trustee at any time that any Excluded Subsidiary is no longer an Excluded Subsidiary, whereupon it shall cease to be an Excluded Subsidiary.

"Group" means the Issuer, the Guarantor and their respective Subsidiaries from time to time and "member of the Group" shall be construed accordingly.

"Indebtedness" means any indebtedness for money borrowed now or hereafter existing (other than indebtedness in respect of which the creditor has no right of recourse to the Issuer or, as the case may be, the Guarantor or any Subsidiary of the Issuer or, as the case may be, the Guarantor in relation to the debtor's financial obligations or liabilities in connection with such indebtedness).

"Material Subsidiary" means at any particular time any Subsidiary of the Issuer or, as the case may be, the Guarantor whose net assets (consolidated in the case of a company which itself has Subsidiaries) attributable to the Issuer or, as the case may be, the Guarantor represent at least 10 per cent. of the consolidated net assets of the Group and for this purpose:

- (i) all calculations shall be made by reference to (A) the latest annual audited accounts of the relevant Subsidiary (or, as the case may be, a consolidation of the then latest annual audited accounts of it and its Subsidiaries) used for the purpose of the then latest Accounts and (B) the then latest Accounts; and
- (ii) a Material Subsidiary transferring all or substantially all of its assets to another Subsidiary of the transferor shall cease to be a Material Subsidiary and any such transferee which is not already a Material Subsidiary shall thereupon be deemed to be a Material Subsidiary until the next Accounts after which whether it is or is not a Material Subsidiary shall be determined in accordance with (i) above.

A report by the Auditors that in their opinion a Subsidiary of Thames Water Plc or the Guarantor is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

"Security" means any mortgage, pledge, lien, charge, assignment for the purpose of providing security, hypothecation, security interest or trust arrangement for the purpose of providing security and any other agreement the effect of which is the creation of a security interest.

"Subsidiary" has the meaning given to that term in Condition 5(f) save that for the purpose of the proviso to Condition 9(j) the definition of "Subsidiary" shall be read as if the proviso to such definition were deleted.

10 Meetings of Bondholders, Modification, Waiver and Substitution

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the modification of any of the terms and conditions of the Bonds or any provisions of the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting, one or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia* (i) to postpone the maturity or redemption of the Bonds, any Instalment Date or any date for payment of any interest or Interest Amount on the Bonds, (ii) to reduce or cancel the principal amount of or any premium payable on redemption of, the Bonds, (iii) to reduce the rate or rates of interest in respect of the Bonds or to vary the method or basis of calculating the rate or rates or amount of interest in respect of the Bonds, (iv) to vary the currency or currencies of payment or denomination of the Bonds, (v) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (vi) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass the Extraordinary Resolution or (vii) to modify or cancel the Guarantee, in which case the necessary quorum shall be two or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

(b) Modification of the Trust Deed

The Trustee may agree, without the consent of the Bondholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed, the Bonds or the Coupons that is of a formal, minor or technical nature or is made to correct a manifest error or to comply with a mandatory provision of the laws of England, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Bondholders as soon as practicable.

The Trustee may agree, without the consent of the Bondholders or Couponholders, on or after the Specified Date (as defined below) to such modifications of any of the provisions of the Trust Deed, the Bonds or the Coupons in order to facilitate payment of interest in euro and redemption at the euro-equivalent of the sterling principal amount of the Bonds and associated reconventioning, renominatisation and related matters as may be proposed by the Issuer (and confirmed by an independent financial institution approved by the Trustee

to be in conformity with then applicable market conventions). For these purposes, "Specified Date" means the date on which the United Kingdom participates in the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community or otherwise participates in European Economic and Monetary Union in a manner with an effect similar to such third stage.

(c) *Substitution*

The Trust Deed contains provisions permitting the Trustee to agree with the Issuer and the Guarantor, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Bondholders or the Couponholders, to (i) the substitution of any Holding Company, the Guarantor or any company under the control of either of them in place of the Issuer or of any previous substituted company, as principal debtor under the Trust Deed and the Bonds (provided that, unless such substitute is the Guarantor or Thames Water Plc, the Guarantor gives an unconditional and irrevocable guarantee of such substitute's obligations in respect of the Bonds, the Coupons, the Talons and the Trust Deed) and/or (ii) the substitution of any Holding Company in place of Thames Water Utilities Limited (or of any previous substitute therefor) as the Guarantor under the Trust Deed, the Bonds, the Coupons and the Talons in each case subject to the relevant provisions of the Trust Deed and such other conditions (if any) as the Trustee may require. For the purpose of these Terms and Conditions, "Holding Company" means any company (i) of which the Guarantor is a wholly-owned Subsidiary and (ii) the ordinary shares of which are listed on the London Stock Exchange.

Such substitution shall be permitted only if in addition to assuming the obligations of the Issuer (or of any previous substituted company) or, as the case may be, the Guarantor, (or of any previous substituted company) under the Bonds, the Coupons, the Talons and the Trust Deed (i) where the substituted company is incorporated, domiciled or resident in, or subject generally to the taxing jurisdiction of a territory other than or in addition to the United Kingdom, undertakings or covenants shall be given by the substituted company in terms corresponding to the provisions of Condition 7 with the substitution for (or, as the case may be, the addition to) references in that Condition to the taxing jurisdiction of any territory or any political sub-division or authority of or in that territory having power to tax in relation to the Issuer or the Guarantor, as the case may be, of references to the territory where the substituted company is incorporated, domiciled or resident or to whose taxing jurisdiction it is subject and Condition 5(c) shall be modified accordingly. (ii) the substituted company and the Issuer or, as the case may be, the Guarantor shall have obtained legal opinions from independent legal advisers of recognised standing in the country of incorporation of the substituted company and in England that the obligations of the substituted company and of the Issuer and, as the case may be, the Guarantor are legal, valid, binding and enforceable and that all necessary governmental approvals and consents for the assumption by the substituted company of the Issuer's or, as the case may be, the Guarantor's obligations have been obtained and are in full force, (iii) the substituted company enters into a deed agreeing to be bound by the terms of the Trust Deed, the Bonds, the Coupons and the Talons (with any consequential amendments as the Trustee may deem appropriate) and (iv) any additional requirement of the Trust Deed or the Trustee are complied with.

In the case of such a substitution the Trustee may agree, without the consent of the Bondholders or the Couponholders, to a change of the law governing the Bonds, the

Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders.

(d) *Entitlement of the Trustee*

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or Couponholders.

11 **Replacement of Bonds, Coupons and Talons**

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

12 **Further Issues**

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

13 **Enforcement**

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by holders of at least one-fifth in principal amount of the Bonds outstanding, and (b) it shall have been indemnified to its satisfaction. No Bondholder or Couponholder may proceed directly against the Issuer or the Guarantor

unless the Trustee, having become bound so to proceed fails to do so within a reasonable time and such failure is continuing.

14 Indemnification of the Trustee

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

15 Notices

Notices to the holders of Bonds shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

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

16 Governing Law

The Trust Deed, the Bonds, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.