

MODIFICATIONS OF THE CONDITIONS OF THE APPOINTMENT OF CAMBRIDGE WATER PLC

Made on 14 January 2005
Coming into effect on 14 January 2005

The Director General of Water Services, in exercise of the power conferred upon him by section 13(1) of the Water Industry Act 1991, after giving notice as required by section 13(2) of that Act, and with the consent of Cambridge Water PLC given on 4 January 2005, hereby modifies with effect on and from 14 January 2005 the conditions of the appointment of Cambridge Water PLC under Chapter I of Part II of the Water Industry Act 1991 by deleting Condition P and substituting for it the following new Condition P:

“Condition P: The Roles of the Appointee’s Owners.

- 1(1) The Appointee shall, not later than 28 April 2004 (or, in the event of any subsequent change of control of the Appointee, the date on which each such change of control takes effect), procure from CKI UK Water Limited (or, if it shall at any time cease to be the UK holding company of the Appointee, from the Appointee’s UK holding company) and from Cheung Kong Infrastructure Holdings Limited (or, if it shall at any time cease to be the Ultimate Controller of the Appointee, from the Appointee’s Ultimate Controller) legally enforceable undertakings in favour of the Appointee in a form specified by the Director and expressed to remain in force for as long as the Appointee retains the Appointment.
- 1(2) The undertakings referred to in (1) above shall provide that -
 - (a) those companies providing the undertakings will, and will procure that each of their subsidiaries (other than the Appointee and its subsidiaries) will, give to the Appointee all such information as may be necessary to enable the Appointee to comply with the requirements of the conditions of the Appointment;
 - (b) those companies providing the undertakings will, and will procure that each of their subsidiaries (other than the Appointee and its subsidiaries) will, refrain from any action which would or may cause the Appointee to breach any of its obligations under the Act or the conditions of the Appointment; and

- (c) those companies providing the undertakings will ensure that at all times the Board of the Appointee contains not less than three independent non-executive directors, who shall be persons of standing with relevant experience and who shall collectively have connections with and knowledge of the areas within which the Appointee provides water services and an understanding of the interests of the customers of the Appointee and how these can be respected and protected.
- 2. The Appointee shall, not later than one week after the date referred to in paragraph 1(1) above, produce to the Director the original of each of the undertakings given to it in accordance with paragraph 1 of this condition and provide to him such certified copies of those undertakings as he may require.
- 3. The Appointee shall immediately inform the Director in writing, if it becomes aware that either of the undertakings referred to in paragraph 1 of this condition has ceased to be legally enforceable or that there has been any breach of its terms.
- 4. The Appointee shall not, except with the written consent of the Director, enter (directly or indirectly) into any contract or arrangement with the UK holding company of the Appointee (or the Ultimate Controller of the Appointee as the case may be) or any Associated Company (other than subsidiaries of the Appointee) at a time when:
 - (i) either one of the undertakings complying with paragraph 1 of this condition does not subsist; or
 - (ii) there is an unremedied breach of either of those undertakings.
- 5. For the purposes of this Condition P, “Ultimate Controller” means any person (including, without limitation, a corporate body) who or which (alone or jointly with others and whether directly or indirectly) is (in the reasonable opinion of the Director) in a position to control, or to exercise material influence over, the policy or affairs of the Appointee or of any holding company of the Appointee.”

Philip Fletcher
Director General of Water Services