

## Notice of Annual General Meeting

# 2008



**This document is important and requires your immediate attention**

If you are in any doubt as to what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred your shares in Northumbrian Water Group plc, please pass this document and the proxy form to the stockbroker, bank or other person through whom you made the sale or transfer, for transmission to the purchaser or transferee.

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June 2008

Dear Shareholder

I am delighted to invite you to the fifth Annual General Meeting of Northumbrian Water Group plc, which will be held at 12 noon on Thursday 31 July 2008 in the Bishops Suite, Ramside Hall Hotel & Golf Club, Carrville, Durham, DH1 1TD (the "Meeting"). The business to be covered at the Meeting is set out on pages 1 to 3 of this booklet.

I would like to invite you to join the Board for light refreshments from 11.30 am. Please bring the enclosed admission card with you to speed up your entry to the Meeting.

My fellow directors and I consider that the business to be conducted at the Meeting is in the best interests of shareholders as a whole, and recommend that you vote in favour of all the resolutions.

We encourage you to exercise your right to vote by completing the enclosed proxy form and sending it to our Registrars to arrive no later than 12 noon on 29 July 2008. CREST members wishing to appoint a proxy or proxies may do so through the CREST electronic proxy appointment service. The results of the proxy votes on each resolution will be available at the Meeting and on the Company's website shortly afterwards. If you return the proxy form you may still attend the Meeting and vote in person, in place of your proxy vote.

I would like to draw your attention to Resolution 9, which proposes changes to the Company's Articles of Association (the "Articles"). These are required to bring the Articles into line with new provisions contained in the Companies Act 2006. Details of the proposed changes are outlined in the Appendix to this booklet.

If you are unable to attend the Meeting, but would like to ask a question about the business to be conducted, please write to me or the Company Secretary at the address above, or send an email to [shareholders@nwl.co.uk](mailto:shareholders@nwl.co.uk)

I hope that the Annual Report and Financial Statements for the year ended 31 March 2008 will be of interest to you and look forward to meeting those shareholders who are able to attend the Meeting on 31 July.

Yours sincerely



Sir Derek Wanless  
Chairman

# Notice of Annual General Meeting

Notice is hereby given that the fifth Annual General Meeting of Northumbrian Water Group plc (the "Company") will be held in the Bishops Suite, Ramside Hall Hotel & Golf Club, Carrville, Durham, DH1 1TD at 12 noon on 31 July 2008 for the following purposes:

To consider and, if thought fit, to pass resolutions numbered 1 to 8 as ordinary resolutions and resolution 9 as a special resolution.

## Ordinary Business

1. THAT the audited financial statements and the reports of the Directors and the Auditors for the year ended 31 March 2008 be received and adopted.
2. THAT the Directors' remuneration report set out on pages 46 to 55 of the Annual report and financial statements for the year ended 31 March 2008 be approved.
3. THAT a final dividend of 8.07 pence per ordinary 10 pence share be declared.
4. THAT Sir Patrick Brown, who retires by rotation, be re-appointed as a director.
5. THAT Martin Nègre, who retires by rotation, be re-appointed as a director.
6. THAT Ernst & Young LLP be re-appointed as auditors.
7. THAT the directors be authorised to determine the auditors' remuneration.

## Special Business

8. THAT in accordance with s366 of the Companies Act 2006, the Company and its wholly-owned subsidiary Northumbrian Water Limited ("NWL") be and are hereby authorised to make:
  - (a) donations to political parties not exceeding £25,000; and
  - (b) donations to political organisations other than political parties not exceeding £25,000in each case during the period beginning with the date of the passing of this resolution and ending at the conclusion of the next annual general meeting of the Company or on 30 September 2009 (whichever is the sooner). In any event, the aggregate amount of political donations made or incurred by the Company and NWL pursuant to this resolution shall not exceed £50,000.
9. THAT the Articles of Association produced to the Meeting and initialled by the Chairman of the Meeting for the purposes of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association, with effect from the conclusion of the meeting.

By Order of the Board

## Martin Parker

Company Secretary  
3 June 2008

Registered Office:  
Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ  
Registered in England & Wales.  
Company Number: 4760441

# Explanatory notes

Resolutions 1 to 8 are being proposed as ordinary resolutions. For an ordinary resolution to be passed, a simple majority of shareholders who vote must vote in favour of the resolution. Resolution 9 is being proposed as a special resolution. For a special resolution to be passed, not less than 75% of shareholders who vote must vote in favour of the resolution.

## Resolution 1 – Financial statements and Directors’ and Auditors’ reports

The directors must present to shareholders at the Meeting the audited financial statements of the Company and the Directors’ and Auditors’ reports for the year ended 31 March 2008. An information desk will be provided at the Meeting to answer any shareholders’ detailed questions relating to these reports and financial statements.

## Resolution 2 – Directors’ remuneration report

The Directors’ remuneration report for the year has been prepared in accordance with The Directors’ Remuneration Report Regulations 2002 (the “Regulations”) and has been approved by the Board. The Directors’ remuneration report is set out on pages 46 to 55 of the Annual report and financial statements. In accordance with the Regulations, shareholders must also be given the opportunity to approve the Directors’ remuneration report. The shareholder vote will be advisory only.

## Resolution 3 – Declaration of final dividend

A final dividend of 8.07 pence per ordinary 10 pence share is recommended by the directors for payment to shareholders who are on the Register of Members at the close of business on 15 August 2008. It is proposed that shareholders declare this dividend by passing this resolution. Final dividends must be declared by shareholders, but must not exceed the amount recommended by the directors. If declared, the date of payment of the final dividend will be 12 September 2008.

## Resolutions 4 and 5 – Re-appointment of directors

In accordance with the Company’s Articles of Association and good corporate governance, the Directors retiring and seeking re-appointment at this year’s Meeting are Sir Patrick Brown and Martin Nègre. The Board recommends that Sir Patrick Brown and Martin Nègre are each re-appointed to the Board because of the experience and expertise that they each bring, and the very significant contribution that they each make and will continue to make to the Board. Information on the directors seeking re-appointment at the Meeting can be found on page 3 of this booklet and on pages 38 and 39 of the Annual report and financial statements.

## Resolution 6 – Re-appointment of the Auditors

It is a requirement that the auditors of a company are re-appointed at each general meeting at which accounts are presented. Ernst & Young LLP has expressed its willingness to continue in office for a further year and this resolution proposes its re-appointment.

## Resolution 7 – Remuneration of the Auditors

In accordance with standard practice, this resolution authorises the directors to determine the auditors’ remuneration.

## Resolution 8 – Political donations

The Company does not support any political party and does not, directly or through any subsidiary, make what are commonly regarded as donations to any political party or other political organisations. However, the wide definition of donations in the Political Parties, Elections and Referendums Act 2000 (“PPERA 2000”) covers activities which form part of the necessary relationship between the Company and political parties and political organisations. These include attending party conferences, which enables us to explain our activities to national and local stakeholders, as well as local meetings with MPs, MEPs and their agents. The costs associated with these activities during 2007/08 were as follows:

Name of political party/political organisation other than political party	Donations for the year (£)
Labour	7,420
Liberal Democrat	1,236
Conservative	3,615
<b>Total</b>	<b>12,271</b>

Shareholder authority to permit the Company to continue with these activities is being sought at this AGM.

## Resolution 9 – Proposed changes to the Company’s Articles of Association (the “Articles”)

The proposed amendments to the Articles are to reflect changes introduced by the Disclosure & Transparency Rules and the Companies Act 2006 (the “2006 Act”) which came into force between 20 January 2007 and 1 October 2007. Other provisions of the 2006 Act will continue to be phased in up until 1 October 2009. It is therefore anticipated that shareholder approval for further amendments to the Articles will be sought at the Company’s AGM in 2009.

The principal changes introduced are summarised in the Appendix. There are also a number of other changes, which are of a minor, technical or clarifying nature or merely reflect changes made by the 2006 Act. The new Articles showing all the changes to the existing Articles are available for inspection at the Company’s registered office and the UKLA’s Document Viewing Facility at 25 The North Colonnade, Canary Wharf, London, E14 5HS and will be at the place of Meeting for at least 15 minutes prior to and during the Meeting.

# Biographies of directors seeking re-appointment

The Chairman has evaluated formally the performance of the directors seeking re-appointment. The Chairman believes that these directors continue to be effective and are fully committed to their roles.

## **Sir Patrick Brown**

### **Senior Independent Non-executive Director**

Sir Patrick Brown was appointed to the Board in May 2003 and to the board of NWL in January 2006. He held various positions in the Department of Transport and the Department of the Environment, becoming Second Permanent Secretary and Chief Executive of the Property Services Agency in 1990. He was Permanent Secretary for the Department of Transport from 1991 to 1997. Sir Patrick became a non-executive director of the Go-Ahead Group plc in 1999 and its Chairman in 2002. In 2004, Sir Patrick was appointed non-executive Chairman of Amey plc and Amey UK plc. Sir Patrick chairs the Audit Committee and is a member of the Nomination and Remuneration Committees.

## **Martin Nègre**

### **Independent Non-executive Director**

Martin Nègre was appointed to the Board in May 2003 and to the board of NWL in January 2006. He was, between April 2000 and April 2001, the CEO of the former Northumbrian Water Group plc and the chief corporate representative of its parent company, Suez, in the UK. He is currently the Chairman of Ecofin Global Utilities Hedge Fund Limited, an Irish Stock Exchange listed fund, Chairman of Ecofin Special Situations Utilities Fund and of Ecofin North American Hedge Fund, a director of Ecofin Water & Power Opportunities plc, a London listed investment trust of which he was Chairman for three years, as well as a director of Bolux Utilities (Sicav Luxembourg) and of Mercurius Utilities (Lichtenstein). All the above funds are focused on utilities. In 2005, he was appointed a director of Promethean plc, an AIM-listed investment company. Martin chairs the Remuneration Committee and is a member of the Nomination Committee.

# General notes

## Entitlement to attend and vote

A member entitled to attend and vote at this Meeting may appoint a proxy to attend and to speak and vote instead of him or her. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her. The proxy need not be a member of the Company. A form of proxy is provided with this notice and instructions for use are shown on the form. Instruments appointing proxies must be lodged with the Company's registrars not less than 48 hours before the time fixed for the meeting to be effective.

Completion and return of a form of proxy will not preclude a member from attending and voting in person at the meeting or any adjournment of the meeting.

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the Register of Members of the Company by 6.00 pm on 29 July 2008 (the "Specified Time") shall be entitled to attend and vote at the Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries in the Register of Members after the Specified Time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

## Statement of Rights in accordance with s325 of the Companies Act 2006

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with s146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

## Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

## Number of shares in issue and total voting rights attached to such shares

As at the date of this Notice, the Company has a total of 518,623,845 ordinary shares of 10p each in issue. Of this total, 518,180,338 have voting rights attached to them.

## CREST members

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting to be held on 31 July 2008 and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf. Please note the following:

- (a) in order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message ("a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- (b) CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

- (c) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (d) In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

#### **Documents on display**

The following documents are available for inspection at the registered office of the Company during normal business hours on any weekday from the date of this Notice until and including the date of the Meeting and will be available at the Ramside Hall Hotel & Golf Club, Carrville, Durham, DH1 1TD from 11.30 am on the day of the Meeting and during the Meeting:

- Copies of the executive directors' service contracts.
- Copies of the terms and conditions of appointment of the non-executive directors.
- Deed of indemnity dated 28 November 2005.
- Register of the interests of the directors and connected persons.
- A copy of the Memorandum and Articles of Association.
- A copy of the Articles marked to show the proposed amendments for which shareholder approval is being sought at the Meeting.
- Terms of reference of the Audit, Nomination and Remuneration Committees of the Board.

#### **Employee share plan**

An employee whose shares are held by the trustees under the Northumbrian Water Group Share Incentive Plan is not entitled to attend the Meeting in respect of those shares. However, the employee can instruct the trustees of the plan how to vote on his or her behalf on any resolution set out in the Notice of Annual General Meeting, should the resolution be put to a formal vote by poll. The trustees are not entitled to vote on a show of hands unless all directions received from employees in respect of a particular resolution are identical. Voting direction forms will be sent to those employees concerned and should be returned to the address on that form to be received no later than close of business on 21 July 2008.

#### **Further information and special requirements**

If you have any questions about the Meeting, or require any special access or facilities, please contact the Secretariat on 0191 301 6701.

#### **Venue location**

The Meeting is being held in the Bishops Suite at the Ramside Hall Hotel & Golf Club, Carrville, Durham, DH1 1TD, which is just two miles from Durham City and 400 yards from Junction 62 on the A1(M). It is approximately two miles from Durham Station, 24 miles from Newcastle International Airport and 26 miles from Durham Tees Valley Airport. There is a location map on the back of the admission card included with this booklet.

#### **Directions**

From the north or south, take the A1/A1(M) to junction 62 (A690, A691, Sunderland, Durham and Consett). Leave the A1(M) and take the exit from the roundabout for the A690 towards Sunderland. After about 400 yards, pass under a railway bridge and take the filter lane to turn right, almost immediately, into the entrance of the hotel.

# Appendix

The principal changes to the Articles of Association are detailed below:

## General Meetings

Provisions relating to general meetings came into force on 1 October 2007. An extraordinary general meeting to consider a special resolution may now be convened on 14 days' notice, whereas previously 21 days' notice was required. It is therefore proposed that the Articles be amended to reflect this change.

## Extraordinary Resolutions

Since the key difference between a special resolution and an extraordinary resolution is that an extraordinary resolution only requires 14 days' notice, the shortening of the notice period required for special resolutions makes extraordinary resolutions superfluous. The 2006 Act no longer refers to extraordinary resolutions. It is therefore proposed that all references to extraordinary resolutions in the existing Articles be removed.

## Proxies

Sections 324-331 of the 2006 Act revise the law on proxies, who now have the right to speak at a meeting and, in addition to the existing right to request a poll, to vote on a show of hands. In addition, s324(2) now permits the appointment of more than one proxy to attend, speak and vote, on a member's behalf, subject to each proxy being appointed to exercise the rights attaching to a different share (or shares) held by the member. It is therefore proposed that the Articles be amended to take account of these changes.

## Stock

As the concept of stock has been abolished by the 2006 Act, the former Article 20 dealing with stock has been deleted.

## Age of Directors

The existing Article 39 disapplied s293 of the Companies Act 1985 (the "1985 Act"), which precluded the appointment of a director aged 70 or more. Section 293 of the 1985 Act has now been repealed and provisions in articles disapplying this section are no longer needed. It is therefore proposed to delete Article 39 and that the remaining Articles be re-numbered.

## Conflicts of interest

The Companies Act 2006 sets out directors' general duties, which codify and extend the existing law. Under the 2006 Act, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where appropriate, where the Articles contain a provision to this effect. The 2006 Act also allows the Articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The proposed amendments give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards that will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision and, secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

### **Electronic & website communications**

New provisions under the 2006 Act enable the Company to communicate with members by electronic and/or website communications, unless shareholders have specifically requested a hard copy of any such communication. The new Articles continue to allow electronic communication with members and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications.

Accordingly, any document or other information may be sent by electronic communications or supplied by the Company to a Member by being made available on the Company's website if the Member:

- (1) has agreed that the document or other information may be sent or supplied to him in that manner; or
- (2) is taken to have so agreed and has not revoked such agreement.

A member is taken to have so agreed that the Company may send or supply any document or other information to him in that manner if:

- (1) the Member has been asked individually by the Company to agree that the Company may send or supply any document or other information to him by means of a website; and
- (2) the Company has not received a response within the period of 28 days beginning with the date on which the Company's request was sent.

The Company must notify a Member of:

- the presence of any document or other information on the website;
- the address of the website;
- the place on the website where it may be accessed; and
- how to access any notice, document or other information.

The Board is proposing changes to the Articles to reflect the new provisions.

### **Directors' indemnities**

The 2006 Act permits the Company to give directors an indemnity within strict limits and to enable a Director to fund certain defence proceedings or court applications defined by the 2006 Act (which also provide for those funds to be repayable in situations where the Director has judgment given against him). These provisions are mirrored in the new Articles.

# Notes

# Notes

[www.nwgc.co.uk](http://www.nwgc.co.uk)

**Northumbrian Water Group plc**

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