KELLEN ACQUISITIONS LIMITED ("KELLEN")

EAST SURREY HOLDINGS PLC ("EAST SURREY")

On 17 August, East Surrey announced that it had been informed by Terra Firma Investments ("Terra Firma") that Terra Firma would be making an application to the Panel Executive (the “Executive”) to invoke the conditions set out in the Scheme Document dated 11 May containing the recommended proposals for the acquisition (the "Offer") of East Surrey by Kellen (a company formed at the direction of Terra Firma). Terra Firma lodged a formal submission with the Panel Executive to invoke certain conditions in relation to the offer by Kellen for East Surrey.

Since 17 August, the Executive has had extensive discussions with the parties and with the Northern Ireland Authority for Energy Regulation and the Department of Enterprise, Trade and Investment of Northern Ireland. The Executive recognises that there have been a number of developments since the announcement of the Offer on 8 April which were not anticipated at that time by either of the parties. However, it has concluded, in the light of the discussions held with all concerned, that these developments are not of sufficient substance to permit Kellen to invoke any of the conditions. It has therefore ruled that Kellen may not lapse its offer for East Surrey.

Both parties have accepted this ruling.

17 October 2005