

REGISTRATION NO. 2366670

**SOUTHERN WATER SERVICES LIMITED**

**DIRECTORS' REPORT**

**AND**

**FINANCIAL STATEMENTS - 1996**



## SOUTHERN WATER SERVICES LIMITED

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**SOUTHERN WATER SERVICES LIMITED**  
**YEAR ENDED 31 MARCH 1996**

**REPORT OF THE DIRECTORS**

The Directors present their annual report, together with the audited financial statements for the year ended 31 March 1996.

**PRINCIPAL ACTIVITY**

The Company provides water supply and wastewater services in the South East of England.

**RESULTS**

Details of the financial results for the year ended 31 March 1996 are shown in the profit and loss account on page 8. The Directors recommend an interim dividend of £230.32 per ordinary share (1995: £218.73) and a final dividend of £460.64 per ordinary share (1995: £437.45) be paid and that the retained profit be transferred to reserves.

**DIRECTORS**

Mr S Derwent, Mr A L Smith, Mr G H Setterfield, Mr R F Clayton and Mr E J Hutchinson served as Directors throughout the year. Mr R Collett was appointed as a Director on 2 May 1995 and Mr W Cutting retired as a Director on 15 June 1995.

**DIRECTORS' SHAREHOLDINGS**

None of the Directors holds shares beneficially in the Company.

The beneficial interests of the Directors who held office at 31 March 1996, in the ordinary shares of the Holding Company as at 31 March, are set out below:

	<u>Ordinary</u> <u>shares held</u>		<u>Executive</u> <u>share options</u>		<u>Sharesave</u> <u>scheme</u>			
	1996	1995	1996	1995	1996	1995		
			Exercised			Granted		
Mr R F Clayton	6,777	9,121	27,000	-	27,000	8,170	642	7,528
Mr R Collett	1,074	572	28,000	5,000	33,000	6,490	-	6,490
Mr S Derwent	11,148	11,270	33,000	-	33,000	5,293	-	5,293
Mr E J Hutchinson	11,470	11,744	28,000	-	28,000	5,293	-	5,293
Mr G H Setterfield	24,694	23,688	35,000	-	35,000	6,280	963	5,317
Mr A L Smith	4,398	3,142	35,000	-	35,000	7,941	1,284	6,657

Options to purchase fully paid ordinary shares were granted under the Southern Water Sharesave and Executive Option Schemes.

The notional allocation of shares eligible for award in July 1998, subject to compliance of performance criteria, under the Southern Water long-term incentive scheme was S Derwent (2,000), R F Clayton (1,000), R Collett (1,000), E J Hutchinson (1,000), G H Setterfield (1,000) and A L Smith (1,000).

**SOUTHERN WATER SERVICES LIMITED**  
**YEAR ENDED 31 MARCH 1996**

**REPORT OF THE DIRECTORS**

**EMPLOYMENT POLICIES**

The Company is an equal opportunities employer and has a policy of non-discrimination in all forms of employment. Selection and promotion are based solely on merit and ability, and no job applicant or employee receives less favourable treatment. Disabled persons are considered for all types of work and modifications to jobs and equipment are made to enable them to be employed. Employees who become disabled are offered alternative work within the Company wherever possible.

With the future prosperity of the Company depending on the skills of its employees, we are committed to ensuring that the training required to fulfil career potential is provided. Training programmes are designed to meet specific needs, and include a range of in-house courses, beginning with an induction programme which introduces new employees to the fundamentals of customer service, teamwork and quality standards.

The Company places strong emphasis on effective employee communications and operates a number of formal and informal mechanisms, ranging from employee briefings to publications such as the Group's newspaper "Southern Water News". All employees are made aware of the objectives of the business and the contribution they themselves can make. Pay is mainly related to individual performance and employees are encouraged to participate in the Employee Sharesave Scheme.

The health and safety of employees is of paramount concern and every effort is made to ensure safe working conditions and appropriate safety training. Additionally, all employees have the opportunity to undertake health and lifestyle checks at the Company's expense.

**RESEARCH AND DEVELOPMENT**

The improvement of existing services and processes, together with the identification and development of new technology and solutions, are key aspects of the Company's strategy to enhance the quality of service to customers and improve methods of working. Revenue expenditure for 1996 amounted to £3.9m (1995: £3.8m).

**DIRECTORS' RESPONSIBILITIES**

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for the year. They are also required to prepare financial statements on a going concern basis unless this is inappropriate.

The Directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements. All accounting standards which they consider to be applicable have been followed and the going concern basis has been applied.

**SOUTHERN WATER SERVICES LIMITED**  
**YEAR ENDED 31 MARCH 1996**

**REPORT OF THE DIRECTORS**

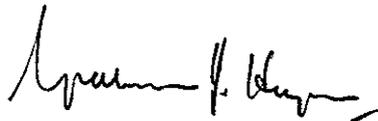
**DIRECTORS' RESPONSIBILITIES** (continued)

The Directors have responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and to prevent or detect fraud and other irregularities.

**AUDITORS**

A resolution to reappoint Coopers & Lybrand as auditors to the Company will be proposed at the Annual General Meeting.

By Order of the Board.



Graham Heyes  
Secretary  
4th June 1996

**REGISTERED OFFICE**

Southern House, Yeoman Road, Worthing, West Sussex BN13 3NX

**SOUTHERN WATER SERVICES LIMITED**  
**YEAR ENDED 31 MARCH 1996**

**REPORT OF THE AUDITORS**

To the members of Southern Water Services Limited

We have audited the financial statements on pages 6 to 17.

**Respective responsibilities of directors and auditors**

As described on pages 3 and 4, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Coopers & Lybrand*

Coopers & Lybrand  
Chartered Accountants and Registered Auditors  
London  
4th June 1996

**SOUTHERN WATER SERVICES LIMITED**  
**YEAR ENDED 31 MARCH 1996**

**ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards and, subject to the treatment of infrastructure grants and contributions described below, in accordance with the Companies Act 1985. The main accounting policies are set out below.

**Turnover**

Turnover represents the invoice value of goods and services provided, excluding VAT.

**Depreciation**

Fixed assets are depreciated on a straight line basis over their estimated useful lives, which are principally as follows:

Buildings	10 - 60 years
Operational structures	15 - 80 years
Fixed plant	10 - 40 years
Vehicles, computers and mobile plant	3 - 10 years

Freehold land and infrastructure assets are not depreciated. Infrastructure assets, being mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls are not depreciated because the network of systems is required to be maintained in perpetuity and, therefore, has no finite economic life. Expenditure on maintaining the operating capability of the network is charged as an operating cost.

**Grants and Contributions**

Grants and contributions received in respect of additions to non-infrastructure fixed assets are included in creditors and released to profit over the useful lives of the relevant assets in accordance with the Companies Act 1985. The treatment of grants and contributions relating to infrastructure assets differs, since these assets are not depreciated and therefore no basis exists on which to recognise infrastructure grants and contributions as deferred income. Accordingly, grants and contributions relating to infrastructure additions are deducted from the cost of infrastructure assets in order to show a true and fair view. This treatment is in accordance with SSAP4 and the effect on the value of tangible fixed assets is disclosed in note 6.

**Leased Assets**

Assets leased to the Company under finance leases are capitalised and depreciated in line with the Company's depreciation policy. The interest element of finance lease repayments is charged against profit in proportion to the balance of the capital repayments outstanding.

Rental costs under operating leases are charged against profit as incurred.

**SOUTHERN WATER SERVICES LIMITED**  
**YEAR ENDED 31 MARCH 1996**

**ACCOUNTING POLICIES**

**Stocks and Work in Progress**

Stocks used internally for operational purposes are stated at cost less provision for damage and obsolescence. Other stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes labour, materials and relevant overheads.

**Research and Development**

Research and development expenditure is charged against profit in the year in which it is incurred.

**Foreign Currency**

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the transaction date or at the forward cover rate where forward cover arrangements exist. Foreign currency balances are translated into sterling at the rate of exchange ruling at the balance sheet date or at the forward cover rate where forward cover arrangements exist.

**Taxation**

Advance corporation tax in respect of dividends payable for the year is written off in the profit and loss account unless it can be recovered against mainstream corporation tax.

Provision is made for deferred taxation relating to capital allowances and other timing differences on the liability method, to the extent that it is considered probable that a liability to taxation will occur in the foreseeable future.

**Pensions**

Southern Water plc operates defined benefit and defined contribution pension schemes, which cover most employees of Southern Water Services Limited. The expected costs of the defined benefit schemes are charged against profit over the period benefiting from the employees' service. Variations from the regular cost are charged against profit on a systematic basis over the expected remaining service lives of employees in each scheme. Contributions to the schemes are determined on the basis of professional actuarial advice in accordance with statutory requirements. Payments to defined contribution schemes are charged against profit as incurred.

**Cash Flow**

The Company is a wholly-owned subsidiary of Southern Water plc and the cash flows of the Company are included in the consolidated group cash flow statement. Consequently, the Company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

**SOUTHERN**  
**WATER SERVICES LIMITED**  
**YEAR ENDED 31 MARCH 1996**

**PROFIT AND LOSS ACCOUNT**

	<u>Note</u>	<u>1996</u> <u>£m</u>	<u>1995</u> <u>£m</u>
<b>Turnover - continuing operations</b>	1	373.2	347.7
		—	—
<b>Trading profit - continuing operations</b>	1	160.7	139.4
Net interest payable	3	(41.5)	( 42.3)
<b>Profit on ordinary activities before taxation</b>		<u>119.2</u>	<u>97.1</u>
Taxation	4	(9.5)	( 3.5)
<b>Profit attributable to ordinary shareholders</b>		<u>109.7</u>	<u>93.6</u>
Dividends	5	(38.7)	( 36.7)
		—	—
<b>Retained profit for the year</b>	15	71.0	56.9
		—	—

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalent.

The Company has no recognised gains or losses other than those included in the profit above and, therefore, no separate statement of total recognised gains or losses has been presented in accordance with Financial Reporting Standard No 3.

**SOUTHERN WATER SERVICES LIMITED**

**BALANCE SHEET**  
**AT 31 MARCH 1996**

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		<u>£m</u>	<u>£m</u>
<b>Fixed assets</b>			
Tangible assets	6	1217.5	1131.1
<b>Current assets</b>			
Stocks	7	2.7	3.0
Debtors	8	57.7	55.6
Cash and Deposits		32.2	-
		<u>92.6</u>	<u>58.6</u>
<b>Creditors due within one year</b>			
Short-term borrowings	9	(3.9)	(46.7)
Other creditors	10	(282.3)	(213.1)
		<u>(286.2)</u>	<u>(259.8)</u>
<b>Net current liabilities</b>		(193.6)	(201.2)
<b>Total assets less current liabilities</b>		<u>1023.9</u>	<u>929.9</u>
<b>Creditors due after more than one year</b>			
Long-term borrowings	11	(370.1)	(349.0)
Grants and contributions	12	(28.3)	(25.3)
		<u>625.5</u>	<u>555.6</u>
<b>Provision for liabilities and charges</b>	13	(5.4)	(6.5)
<b>Net assets</b>		<u>620.1</u>	<u>549.1</u>
<b>Capital and reserves</b>			
Called up share capital	14	0.1	0.1
Share premium account	15	46.3	46.3
Profit and loss account	15	573.7	502.7
<b>Equity shareholders' funds</b>		<u>620.1</u>	<u>549.1</u>

The financial statements on pages 6 to 17 were approved by the Board on 4th June 1996 and signed on its behalf by:

S Derwent  
Managing Director



E J Hutchinson  
Finance Director



**SOUTHERN WATER SERVICES LIMITED**  
**YEAR ENDED 31 MARCH 1996**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 1**

**Analysis of trading profit - continuing operations**

	<u>1996</u>	<u>1995</u>
	<u>£m</u>	<u>£m</u>
Turnover (wholly in the UK)	373.2	347.7
Cost of sales	(185.1)	(182.7)
Gross profit	<u>188.1</u>	<u>165.0</u>
Administration expenses	(29.9)	( 29.3)
Other operating income	2.5	3.7
Trading profit	<u>160.7</u>	<u>139.4</u>

**Trading profit is stated after charging/(crediting):**

Depreciation on		
- own fixed assets	28.9	31.9
- fixed assets held under finance leases	0.3	0.3
	<u>29.2</u>	<u>32.2</u>
Infrastructure renewals expenditure	17.9	17.3
Rentals under operating leases	5.9	7.1
Research and development expenditure	3.9	3.8
Grants and contributions	( 1.1)	( 0.9)
Profit on disposal of fixed assets	( 1.1)	( 2.1)

Audit fees charged in the financial statements for the year ended 31 March 1996 were £85,000 (1995: £83,000). Fees payable to the auditors for services other than statutory audit were £54,000 (1995: £63,000).

**SOUTHERN WATER SERVICES LIMITED**  
**YEAR ENDED 31 MARCH 1996**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 2**

**Directors and employees**

	<u>1996</u>	<u>1995</u>
	<u>£m</u>	<u>£m</u>
(a) <b>Staff costs (including directors' emoluments)</b>		
Wages and salaries	39.3	38.9
Social security costs	3.1	3.3
Pension contributions	4.5	3.8
	<u>46.9</u>	<u>46.0</u>

	<u>1996</u>	<u>1995</u>
	<u>Number</u>	<u>Number</u>
(b) <b>Average number of persons employed</b>	2,048	2,116

Southern Water Services Limited continues to bear the cost of staff transferred to Pipeworks Limited, a wholly-owned subsidiary and agent of Southern Water Services Limited. The associated cost in respect of the year ended 31 March 1996 was £7.5m (1995: £7.3m) which is excluded from the above total. The employee costs and average number of employees of Pipeworks Limited are shown in the financial statements of that Company.

	<u>1996</u>	<u>1995</u>
	<u>£000</u>	<u>£000</u>
(c) <b>Directors' emoluments</b>		
Salaries (including benefits in kind)	525	410
Pension contributions	114	100
	<u>639</u>	<u>510</u>
 The emoluments of the highest paid director (excluding pension contributions)	 <u>97</u>	 <u>87</u>

(d) **Directors**

The remuneration (excluding pension contributions) of directors was within the following categories:

£	<u>1996</u>	<u>1995</u>
	<u>Number</u>	<u>Number</u>
60001 - 65000	-	3
65001 - 70000	3	1
70001 - 75000	2	1
75001 - 80000	1	-
85001 - 90000	-	1
95001 - 100000	1	-

**SOUTHERN WATER SERVICES LIMITED**  
**YEAR ENDED 31 MARCH 1996**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 3**  
**Interest**

	<u>1996</u>	<u>1995</u>
	<u>£m</u>	<u>£m</u>
Interest payable on bank loans, overdrafts and other loans:		
Repayable wholly within 5 years	(5.0)	(6.9)
Repayable after 5 years	(37.3)	(35.7)
	<u>(42.3)</u>	<u>(42.6)</u>
Interest receivable	0.8	0.3
	<u>(41.5)</u>	<u>(42.3)</u>

Interest of £41.7m (1995: £41.8m) was payable to Southern Water plc.

**Note 4**  
**Taxation**

	<u>1996</u>	<u>1995</u>
	<u>£m</u>	<u>£m</u>
United Kingdom taxation:		
Corporation tax in respect of the current year	26.1	8.9
Corporation tax provision in respect of prior years no longer required	(2.0)	-
	24.1	8.9
Advance corporation tax utilised relating to prior years	(14.6)	(5.4)
	<u>9.5</u>	<u>3.5</u>

The corporation tax charge for the year of £26.1m has been reduced by £27.7m (1995: £37.6m) in respect of the excess of tax allowances over depreciation and other timing differences.

**Note 5**  
**Dividends**

	<u>1996</u>	<u>1995</u>
	<u>£m</u>	<u>£m</u>
Interim proposed dividend of £230.319 per ordinary share (1995: £218.726)	12.9	12.2
Final proposed dividend of £460.637 per ordinary share (1995: £437.452)	25.8	24.5
	<u>38.7</u>	<u>36.7</u>

**SOUTHERN WATER SERVICES LIMITED**  
**YEAR ENDED 31 MARCH 1996**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 6**

**Tangible fixed assets**

	<u>Freehold land &amp; buildings</u> £m	<u>Plant &amp; machinery</u> £m	<u>Infra- structure assets</u> £m	<u>Other</u> £m	<u>Total</u> £m
<b>Cost</b>					
Balance at 1 April 1995	457.5	262.3	495.5	155.1	1,370.4
Additions and transfers	12.3	62.7	32.9	12.7	120.6
Grants and contributions	-	-	(4.6)	-	(4.6)
Disposals	(0.3)	(0.8)	-	-	(1.1)
Balance at 31 March 1996	<u>469.5</u>	<u>324.2</u>	<u>523.8</u>	<u>167.8</u>	<u>1,485.3</u>
<b>Depreciation</b>					
Balance at 1 April 1995	88.2	83.9	-	67.2	239.3
Charge for the year	9.1	9.8	-	10.3	29.2
Disposals	(0.1)	(0.6)	-	-	(0.7)
Balance at 31 March 1996	<u>97.2</u>	<u>93.1</u>	<u>-</u>	<u>77.5</u>	<u>267.8</u>
<b>Net book value 31 March 1996</b>	<u>372.3</u>	<u>231.1</u>	<u>523.8</u>	<u>90.3</u>	<u>1,217.5</u>
<b>Net book value 31 March 1995</b>	<u>369.3</u>	<u>178.4</u>	<u>495.5</u>	<u>87.9</u>	<u>1,131.1</u>

Tangible fixed assets include £166.9m (1995: £221.2m) of assets in the course of construction which are not depreciated until commissioning.

The net book value of tangible fixed assets held under finance leases was £7.2m (1995: £7.6m).

The net book value of infrastructure assets is stated after deducting grants and contributions since privatisation of £71.1m (1995: £66.5m).

**SOUTHERN WATER SERVICES LIMITED**  
**YEAR ENDED 31 MARCH 1996**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 7**

<b>Stocks</b>	<u>1996</u>	<u>1995</u>
	<u>£m</u>	<u>£m</u>
Materials and consumables	2.3	2.6
Work in progress	0.4	0.4
	<u>2.7</u>	<u>3.0</u>

**Note 8**

<b>Debtors</b>	<u>1996</u>	<u>1995</u>
	<u>£m</u>	<u>£m</u>
Trade debtors	30.3	26.9
Unbilled income	20.3	21.3
Amounts owed by Southern Water plc group companies	2.8	2.4
Other debtors	3.9	3.3
Prepayments	0.4	1.7
	<u>57.7</u>	<u>55.6</u>

**Note 9**

<b>Short-term borrowings</b>	<u>1996</u>	<u>1995</u>
	<u>£m</u>	<u>£m</u>
Bank overdraft	-	25.7
Loans from holding company	3.9	21.0
	<u>3.9</u>	<u>46.7</u>

**Note 10**

<b>Other creditors</b>	<u>1996</u>	<u>1995</u>
	<u>£m</u>	<u>£m</u>
Trade creditors	12.0	8.2
Capital creditors and accruals	38.6	32.1
Amounts owed to Southern Water plc group companies	128.9	86.1
Corporation tax	12.7	3.5
Other taxation and social security	-	0.1
Other accruals and deferred revenue	51.4	46.4
Dividends payable	38.7	36.7
	<u>282.3</u>	<u>213.1</u>

**SOUTHERN WATER SERVICES LIMITED**  
**YEAR ENDED 31 MARCH 1996**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 11**

**Creditors due after more than one year**

	<u>1996</u>	<u>1995</u>
	<u>£m</u>	<u>£m</u>
Loans from holding company	370.1	349.0
Loans are repayable as follows:		
Between one to two years	8.7	3.9
Between two and five years	32.8	29.7
After five years not by instalments	215.0	215.0
After five years by instalments	113.6	100.4
	<u>370.1</u>	<u>349.0</u>

The Company has agreed loan facilities with Southern Water plc. The rates of interest payable on loans due after five years range from 6.5% to 11.1%.

**Note 12**

**Grants and contributions**

	<u>1996</u>
	<u>£m</u>
At 1 April 1995	25.3
Receivable in year	4.1
Released to profit and loss account	(1.1)
At 31 March 1996	<u>28.3</u>

These grants and contributions relate to non-infrastructure assets.

**Note 13**

**Provision for liabilities and charges**

	<u>Infrastructure</u>		
	<u>Renewal</u>	<u>Other</u>	<u>Total</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
At 1 April 1995	3.4	3.1	6.5
Provided in year	17.9	0.3	18.2
Utilised in year	(19.3)	-	(19.3)
At 31 March 1996	<u>2.0</u>	<u>3.4</u>	<u>5.4</u>

**SOUTHERN WATER SERVICES LIMITED**  
**YEAR ENDED 31 MARCH 1996**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 13**

**Provision for liabilities and charges (continued)**

The full potential deferred taxation liability, for which no provision is considered necessary, calculated under the liability method at a tax rate of 33% is:

	<u>1996</u>	<u>1995</u>
	<u>£m</u>	<u>£m</u>
Accelerated capital allowances (non-infrastructure assets)	124.8	106.8
Other timing differences	(10.3)	( 8.8)
Advance corporation tax	-	(12.4)
	<u>114.5</u>	<u>85.6</u>

**Note 14**

**Called up share capital**

	<u>1996</u>	<u>1995</u>
	<u>£m</u>	<u>£m</u>
<b>Authorised</b>		
46,050,000 ordinary shares of £1 each	46.1	46.1
	<u>      </u>	<u>      </u>
<b>Allotted, called up and fully paid</b>		
56,000 ordinary shares of £1 each	0.1	0.1
	<u>      </u>	<u>      </u>

**Note 15**

**Share premium account and reserves**

	<u>Share premium</u>	<u>Profit and</u>
	<u>account</u>	<u>loss account</u>
	<u>£m</u>	<u>£m</u>
At 1 April 1995	46.3	502.7
Retained profit for the year	-	71.0
	<u>      </u>	<u>      </u>
At 31 March 1996	46.3	573.7
	<u>      </u>	<u>      </u>

**Note 16**

**Movement in shareholders funds**

The movement in shareholders funds of £71.0 (1995: £56.9m) relates solely to the retained profit for the year.

**SOUTHERN WATER SERVICES LIMITED**  
**YEAR ENDED 31 MARCH 1996**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 17**

**Pensions**

The Company's pension arrangements are administered through three schemes operated by Southern Water plc, the Holding Company. Actuarial information concerning these schemes is disclosed in the financial statements of Southern Water plc.

**Note 18**

**Contingent liabilities**

	<u>1996</u>	<u>1995</u>
	<u>£m</u>	<u>£m</u>
Contractors' claims	3.3	2.4
	—	—

The Company is party to mutual cross guarantees for any monies owed by Group companies to National Westminster Bank plc, which at 31 March 1996 amounted to £4.4m (1995: £12.4m).

**Note 19**

**Capital commitments**

	<u>1996</u>	<u>1995</u>
	<u>£m</u>	<u>£m</u>
Outstanding contracts placed for capital expenditure	93.3	63.0
	—	—

**Note 20**

**Other financial commitments**

	<u>1996</u>	<u>1995</u>
	<u>£m</u>	<u>£m</u>
Annual commitments under non-cancellable leases:		
Expiring within one year	2.1	2.6
Expiring between two and five years	2.4	4.1
Expiring after five years	0.4	0.3
	—	—
	4.9	7.0
	—	—

**Note 21**

**Ultimate holding company**

The Company is wholly-owned by Southern Water plc.

(Copies of Southern Water plc's consolidated financial statements may be obtained from the Company Secretary at Southern House, Yeoman Road, Worthing, West Sussex, BN13 3NX.)